

**Government consultation - 'Planning for the right homes in the right places'**

<b>Final Decision-Maker</b>	Strategic Planning, Sustainability and Transportation Committee
<b>Lead Head of Service/ Lead Director</b>	Rob Jarman, Head of Planning and Development
<b>Lead Officer and Report Author</b>	Sarah Lee, Principal Planning Officer, Strategic Planning
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

The 'Planning for the right homes in the right places' Government consultation carries forward a number of proposals first signalled in the Housing White Paper. The proposed standardised method for calculating local plans' housing needs figure would result in a 40% increase in this borough's figure; from 883 dwellings/year in the Maidstone Borough Local Plan to 1,263 dwellings/year. The proposed response in Appendix 1 strongly objects to the new methodology which serves to perpetuate established patterns of household growth and to disproportionately load future requirements on authorities like Maidstone with the highest base populations and which have delivered good levels of housing in the past.

Other changes proposed in the consultation document are;

- Statements of Common Ground with partner authorities to be prepared throughout the plan-making process;
- Viability assessments to be simplified;
- Clarification of the housing numbers neighbourhood plans should plan for;
- Potential planning fees increase of 20%.

**This report makes the following recommendations to this Committee:**

1. That the response included in Appendix 1 **be agreed** as Maidstone Borough Council's submission to the Government consultation 'Planning for the right homes in the right places'.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Strategic Planning, Sustainability and Transportation Committee	7 November 2017

# Government consultation - 'Planning for the right homes in the right places'

## 1. INTRODUCTION AND BACKGROUND

- 1.1 The 'Planning for the right homes in the right places' consultation document was published by DCLG on 14<sup>th</sup> September. As part of the Government's drive to significantly boost the supply of new housing nationally, the consultation carries forward specific items signalled in the Housing White Paper (February 2017), namely;
- a. Proposing a standardised methodology for calculating the housing need figure for local plans;
  - b. Improving the way local authorities work together to plan for housing and other needs using Statements of Common Ground;
  - c. Helping local authorities plan for specific housing needs and support neighbourhood planning;
  - d. Simplifying the use of viability assessments in planning; and
  - e. Potential increases to planning application fees.
- 1.2 This report summarises key aspects of the consultation document and includes a proposed response to the consultation questions in Appendix 1. This response is recommended for agreement so that it can be submitted as MBC's formal response by the deadline of Thursday 9<sup>th</sup> November.
- 1.3 The consultation document is available here:  
<https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals>

### Standardised calculation of housing need

- 1.4 **Government's proposals:** Currently, local plans' 'objectively assessed need for housing' (OAN) is established through a Strategic Housing Market Assessment (SHMA). The Government has identified that this can be complex, costly and time-consuming process and that considerable resources can be expended debating what the OAN figure should be. Indeed, this council's original SHMA (January 2014) had to be updated twice prior to the Local Plan's submission in response to revised population and household projections. Further, there was considerable debate about what the OAN figure should be, both before and during the Local Plan Examination.
- 1.5 The Government is looking to make the process much more straight-forward and transparent and it also wants the actual affordability of housing in the local area to be a specific input to the housing need figure. To achieve this, it proposes that the housing need figure should be established using a standardised calculation. The key components of the calculation are;

- a. **Projected household growth**: Average annual increase in the number of households (extracted from Office of National Statistics/CLG household projections); and
- b. **Local affordability ratio**: Ratio between median local house prices and median local earnings (published annually by the ONS).

1.6 The proposed calculation formula is as follows;

$$\text{Adjustment factor} = \frac{\text{Local affordability ratio} - 4}{4} \times 0.25$$

$$\text{Local Housing Need} = (1 + \text{adjustment factor}) \times \text{projected household growth}$$

1.7 The output from this calculation for Maidstone would be;

*Adjustment factor:*

$$\frac{10.03 - 4}{4} \times 0.25 = 0.3768$$

*Local Housing Need:*

$$(1 + 0.3768) \times 898 = \mathbf{1,263}$$

1.8 At the government's 2016 base date, the housing need figure for Maidstone would be **1,263 dwellings/year**. If applied across the country, the formula generates in a total, national housing need figure of 266,000 dwellings/year.

1.9 The consultation proposes that the increase in housing need should be capped at 40% of the adopted local plan figure provided the Plan has been adopted in the last 5 years. This cap does not impact on Maidstone's figure; it would still be 1,263 dwellings/year<sup>1</sup>.

1.10 **Response**: Whilst simplifying the setting of the housing needs figure is welcomed in principle, the proposed approach has significant implications for boroughs like Maidstone. Maidstone already has a high resident population (165,800<sup>2</sup>), is projected to grow significantly according to the Government's household projections and suffers from a relatively significant gap between local house prices and local earnings. Conversely, areas which have historically had lower levels of growth, including because of their planning constraints, have lower levels of household growth projected. Maidstone, Medway and Swale and to a lesser extent Ashford and Tonbridge & Malling would see appreciably higher uplifts to their OAN figures compared with Tunbridge Wells and Sevenoaks where affordability issues are actually worse.

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<sup>1</sup> 883dpa x 1.4 = 1,236dpa

<sup>2</sup> 2016; ONS

	<b>Current OAN (homes/ year)</b>	<b>New formula OAN (homes/ year)</b>	<b>% increase</b>
<b>Maidstone</b>	883	<b>1,236</b>	40%
<b>Medway</b>	1,281	<b>1,665</b>	30%
<b>Ashford</b>	825	<b>989</b>	20%
<b>Swale</b>	776	<b>1,054</b>	36%
<b>Tonbridge &amp; Malling</b>	696	<b>859</b>	23%
<b>Tunbridge Wells</b>	648	<b>692</b>	7%
<b>Sevenoaks</b>	620	<b>698</b>	13%

1.11 The methodology serves to perpetuate established patterns of household growth and to disproportionately load requirements on authorities with the highest base populations and which have delivered good levels of housing in the past. The approach is considered to be demand-led with the outcome of increasing requirements in areas where there is considerable existing development pressure whilst reducing supply (principally in more northern authorities) where SHMAs have shown needs to be higher. The proposed response includes a strong objection to this and identifies that a more strategic approach to achieve housing delivery at the scale of 266,000dpa at the national level is required.

1.12 The scale of uplift in Maidstone's figure would have significant implications for infrastructure provision. This scale of growth will require significant investment in new, strategic infrastructure to serve the new homes e.g. transportation, education, healthcare, recreation and sports facilities as well as affordable housing and there is the very real prospect that this could not be fully funded through development-generated income (s106 agreements, CIL, New Homes Bonus). This is particularly the case if house prices fall, which is the implicit intention of the Government's new approach, as this would impact on housebuilders' financial returns. In this scenario, as an authority which will have CIL in place the new approach could directly impact on the council's ability to secure a sufficient proportion of affordable housing on housing sites. In parallel with the new approach, Government should therefore prepare to provide substantial gap funding to fund strategic infrastructure.

1.13 Other matters included in the proposed response are;

- questioning the realism of achieving this rate of housebuilding on the grounds of the availability of sufficient labour, skills and materials coupled with housebuilders' incentive to keep house prices high;

- The consultation does not provide for any form of strategic approach to deal with London's unmet housing needs. The new standard calculation would see London's projected growth increase to 72,000 dwellings/year compared with current London Plan figure of 49,000 dwellings/year;
- The new approach does not take specific account of implications for local employment of an uplift of this scale. There would be an onus to correlate local employment opportunities to the above-trend increase in the resident population if a substantial increase in out-commuting is to be curtailed.

1.14 The proposed response supports the proposed transitional arrangements. For authorities with a recently adopted<sup>3</sup> local plan, like Maidstone, the new approach would only apply when the plan is being reviewed. The Maidstone Borough Local Plan's objectively assessed need figure of 883 dwellings/year (17,660 dwellings 2011-31) would be secured until then. It is considered that this approach is vital to ensure that the government's changes do not in any way undermine a plan-led system.

1.15 An informal Members' workshop was held on 10<sup>th</sup> October at which the proposed new methodology was discussed. One Member raised the case of a Cornwall authority which has been able to restrict the occupancy of new build homes through a planning policy. Officers have done some further investigation and it is understood that it refers to the 'made' St Ives Neighbourhood Plan which includes a policy which requires all new build housing to be occupied as a primary residence. The justification for this stems from the impact of tourism on the St Ives housing market where 25% of all homes are either second or holiday homes. In officers' view the exceptional justification for this approach would not apply in this borough where the proportion of second/vacant homes is 3.5%.

1.16 Other Members advocated a tax regime which would heavily penalise empty or second home owners. The Committee is invited to consider if it would like to incorporate this proposal into the consultation response.

### **Statements of Common Ground**

1.17 ***Government's proposals***: the Government has identified 3 problems with the Duty to Co-operate, namely a) there is insufficient certainty that authorities are co-operating effectively in the early stages of plan-making; b) the Examination of a plan is too late to remedy failures in the Duty; and c) local authorities are not legally required to reach agreement on issues. This can result in local planning authorities failing to make the difficult decisions needed to ensure needs are met which in turn "can push unfair and unrealistic burdens for delivering housing need on neighbouring authorities" (paragraph 62).

1.18 The Government's proposed solution is that every local planning authority must prepare a Statement of Common Ground (SCG) jointly with its partner authorities, for example those with whom it shares a housing market area.

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<sup>3</sup> Within the last 5 years and thereby NPPF-compliant

The SCG should record matters of agreement on cross-boundary strategic issues and set out the framework for how matters will be agreed in the future, for example how housing needs will be met across the housing market area (HMA), including any unmet needs. The consultation document specifies that signatories would include county councils in respect of their roles as highways authority and minerals & waste planning authority. All planning authorities will be required to have SCGs in place within 12 months of the introduction of the new requirement, irrespective of where they are in the plan-making process, and the statement must be updated at each key plan-making stage<sup>4</sup>. To underline that local planning authorities should be planning for wider needs, including unmet needs from elsewhere, the consultation proposes that Local Plans will be subject to two additional tests of soundness<sup>5</sup> to state that a plan's strategy should be informed by agreements over the wider area and be based on effective joint working.

1.19 **Response:** MBC considers that it is essential that local planning authorities do their utmost to plan positively with the clear intention that housing needs are met within their own boundaries. The government could use the opportunity of changes to the National Planning Policy Framework (NPPF) and the National Planning Practice Guidance (NPPG) to further underline that this is the Government's clear expectation.

1.20 There are very real practical difficulties in preparing SCG with authorities at different stages in the Plan making process. Maidstone will have an up to date local plan in place and will not be substantially progressed with a plan review when these new provisions come into force. Conversely neighbours with whom we share a HMA will be at, or approaching, submission. The authorities will not have a common position in terms of their plans' time horizons, evidence of their capacity for future development or the methodological basis for their housing need figure. In these circumstances, there is a real risk that SCGs will still not enable all cross-border issues to be fully concluded.

1.21 Also there is not always agreement between authorities on the definition of HMAs. For example the definition of the HMAs covering Maidstone, Ashford, Swale, Tonbridge & Malling and Tunbridge Wells boroughs and Sevenoaks district all align whereas Medway has taken a more expansive approach in its SHMA which identifies a single HMA covering Medway, Swale, Maidstone, Tonbridge & Malling and Gravesham . Guidance on what happens when there is not agreement on these technical matters would be worthwhile.

1.22 Amendments to NPPF/NPPG need to be clear that SCG replace other requirements to record the Duty to Co-operate between local authorities. The objective of introducing the SCG process should be to add clarity to how compliance with the Duty can be demonstrated and not be an additional burden.

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<sup>4</sup> Regulation 18, Regulation 19, submission, adoption

<sup>5</sup> Currently the tests of soundness are that plans should be 'positively prepared', 'justified', 'effective' and 'consistent with national policy'

## Neighbourhood planning

- 1.23 **Government's proposals:** The consultation paper proposes amendments to national policy which will require local planning authorities to provide neighbourhood planning bodies with a housing figure for their neighbourhood plan.
- 1.24 Where a local plan is sufficiently up-to-date, planning guidance will make clear that local authorities may derive housing figures by making a reasoned judgement based on the settlement strategy and housing sites allocated in their local plans. In this case, the resultant housing figure will not need to be tested through the neighbourhood plan process because it would be derived from the strategy and strategic priorities of the local plan, which neighbourhood plans must be in conformity with.
- 1.25 Where a local plan is out-of-date, guidance will set out a "simple formulae-based approach". This will apportion the overall housing need figure for the local authority area (based on the latest figures calculated under the new standard approach) according to the neighbourhood planning area's population as a percentage of the overall population of the local authority's area. This approach would be a starting point for neighbourhood planning bodies which can then objectively consider whether planning constraints would prevent the need being met. The approach does not seek to take account of unmet need from elsewhere, which should be determined at a strategic level.
- 1.26 **Response:** The Maidstone Borough Local Plan provides certainty for neighbourhood planning bodies through its development strategy, strategic policies and strategic site policies for land allocations.
- 1.27 Neighbourhood plans can indicate the future direction of development, allocate additional small sites, and include policies that allow for windfall development. Should national guidance require local authorities to set a housing figure for designated neighbourhood planning areas and parished areas in their local plans, the figure should be defined as a "minimum housing requirement" rather than a "housing need" to take account of inevitable windfall development. The location of windfall sites will always be unpredictable because, by definition, such sites are not identifiable in advance.
- 1.28 Neighbourhood planning bodies need guidance on their housing figures where an up-to-date local plan is not in place. The formulae-based approach to calculating a housing figure in these circumstances provides a starting point for neighbourhood plans but, whilst neighbourhood planning bodies can determine whether there are constraints to delivering their housing figure, unmet need from elsewhere is excluded. Guidance must make clear that a future local plan may allocate additional sites to meet the strategic housing needs arising for the local authority area. The formula-based approach would be clear and consistent but, like the proposed housing needs formula, is somewhat of a blunt tool as it cannot take account of the need to redistribute housing requirements based on the sustainability of different locations and their capacity to accommodate development.

## **Proposed approach to viability assessment**

- 1.29 **Government's proposals:** The Government is concerned that the use of viability assessments for planning applications and in plan-making is complex, lacks transparency and causes uncertainty. The Government is asking for views on how the use of viability assessments could be improved. The Government is also proposing that there should be a more standardised approach to monitoring and reporting on what infrastructure and affordable housing has been secured and delivered through developer contributions.
- 1.30 **Response:** Particular issues experienced by MBC with respect to viability assessments include;
- Delay to decisions on planning applications whilst viability assessments are independently audited;
  - Cost associated with commissioning an independent audit and, in some instances, debate about whether the planning authority or the developer should meet these costs;
  - In some cases, disagreement between the applicant and MBC about whether a viability assessment is required; and
  - The specialist and complex nature of viability assessments can make their findings difficult to present concisely in planning committee reports and detail may need to be withheld because of commercial confidentiality.
- 1.31 MBC would welcome measures which simplify this process including, potentially, the Government setting out a more standardised approach to viability assessment in guidance. This could prescribe the data sources to be used and/or set parameters for the inputs and assumptions underpinning viability assessments.
- 1.32 Other matters included in the proposed response are;
- Some further guidance on the viability testing of non-residential uses for plan-making would be welcome. Viability data for retail, employment or leisure uses is often based on a limited number of schemes which means that the outputs are more often open to challenge.
  - It would be useful if viability studies supporting Local Plans could be relied upon for an extended period of time, say 2 years. These are expensive pieces of evidence to undertake and it would be helpful to be able to rely on them for Local Plan and CIL examination purposes for a confirmed period of time.
  - A more standardised approach to the monitoring of the collection and use of developer contributions would be welcomed.

## **Planning fees**

- 1.33 **Government's proposals:** the Housing White paper suggested that an increase of 20% on the current fee level could be applied "to those authorities who are delivering the homes their communities need". The

Government is now asking how compliance with this requirement should be judged.

- 1.34 **Response:** The intention to increase fees to recover a greater proportion of the cost of determining a planning application is supported. To support a plan-led system, and to ensure consistency across authorities, the qualifying criteria should be limited to the numerical housing targets in an up to date, adopted local plan and not those generated by the new methodology.
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## **2. AVAILABLE OPTIONS**

- 2.1 Option A: the Committee could decide that no consultation response should be submitted.
- 2.2 Option B: the Committee could decide to submit a response to the Government consultation 'Planning for the right homes in the right places'.
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## **3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 3.1 Option B is the preferred option. Submitting a consultation response will ensure that the Council's viewpoint can be taken into account as the Government finalises its proposed changes to the planning system, policy and guidance.
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## **4. RISK**

- 4.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.
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## **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 An informal Members briefing was held on 10<sup>th</sup> October to provide early insight and consideration of the Government's emerging proposals.
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## **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

6.1 Subject the Committee's agreement, the consultation response will be submitted on-line by the deadline of 9<sup>th</sup> November. Thereafter the Government has indicated that changes to the NPPF will be published for a brief period of consultation in early 2018. The Government intends to implement the changes to the NPPF and the Guidance in April 2018.

## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	It is not expected that the recommendation will, of itself, materially affect achievement of corporate priorities. Contributing positively to the Government's consultation does nonetheless accord with the Council's overall priority of 'a home for everyone'.	Rob Jarman, Head of Planning & Development
<b>Risk Management</b>	Already covered in the risk section	Rob Jarman, Head of Planning & Development
<b>Financial</b>	Responding to the Government consultation can be done within existing resources. The consultation provides us with a good opportunity to highlight the financial implications of further housing developments in the borough.	Section 151 Officer & Finance Team
<b>Staffing</b>	Responding to the Government consultation can be done within existing staff resources.	Rob Jarman, Head of Planning & Development
<b>Legal</b>	There are no specific legal implications arising from the recommended in this report.	[Legal Team] Cheryl Parks, Mid Kent Legal Services (Planning Team)
<b>Privacy and Data Protection</b>	Responding to this consultation as recommended would not	Cheryl Parks, Mid Kent Legal

	have specific implications for privacy and data protection.	Services (Planning Team)
<b>Equalities</b>	Responding to this consultation as recommended would not have specific or differential implications for the different communities within Maidstone.	[Policy & Information Manager]
<b>Crime and Disorder</b>	Responding to this consultation as recommended would not have specific implications for Crime and Disorder in the borough	Rob Jarman, Head of Planning & Development
<b>Procurement</b>	Responding to this consultation as recommended does not require the procurement of any services, expertise or materials.	Rob Jarman, Head of Planning & Development [ & Section 151 Officer]

## 8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Response to the Government consultation 'Planning for the right homes in the right places'.

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## 9. BACKGROUND PAPERS

'Planning for the right homes in the right places': consultation proposals (DCLG, September 2017) <https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals>