

COUNCIL BUSINESS COMMITTEE

Council Response to Government Consultation on Proposed Changes to the Planning System – “Planning for the Right Homes in the Right Places”

2 November 2017

Report of the Chief Officer (Regeneration and Planning)

PURPOSE OF REPORT

To enable members to prepare a formal response to the Government’s consultation on a range of proposed changes to the planning system, in particular the Government’s emerging approach to re-calculating housing need. The report highlights the key issues which may form the basis for the Council’s response.

RECOMMENDATION

- (1) That the Committee consider the issues set out in Section 6 of this Report which may form the basis of the Council’s formal response to this consultation.**

1.0 INTRODUCTION

- 1.1 In February 2017 the Government published the Housing White Paper entitled ‘*Fixing our Broken Housing Market*’ which set out proposals to tackle the persistent national challenge of an inadequate supply of housing.
- 1.2 The Housing White Paper set out four main areas where action is needed:
- (a) Planning for the right homes in the right places, to make sure that sufficient land is released for new development, that the best possible use is made of that land, and that local communities have more control over where development goes and what it looks like.
 - (b) Building homes faster, where communities have planned for new homes, ensuring those plans are delivered to the timescales expected.
 - (c) Diversifying the market, to address the lack of innovation and competition in the home-building market.
 - (d) Helping people now, tackling the impacts of the housing shortage on ordinary households and communities.

- 1.3 The White Paper contained a number of specific proposals to reform the planning system in order to achieve these objectives. It confirmed the central role that local and neighbourhood plans have in the planning system so that local planning authorities and communities retain control of where development should or should not be located.
- 1.4 The White Paper stated that further consultation on specific issues would follow and, on 14 September, published a consultation document on a range of specific potential changes to the planning system. The Government has advised that in early 2018 it intends to revise the National Planning Policy Framework (NPPF). The NPPF sets the national direction guiding the preparation of local plans and the determination of planning applications.
- 1.5 It is understood that the Government will await responses to this consultation to help shape revisions to the NPPF. Consultation on revisions to the NPPF are anticipated early in 2018.
- 1.6 The consultation document, as published by the Department for Communities and Local Government (DCLG) is attached. The DCLG's preferred form of response is that responders should respond to a set of questions. Nineteen questions about the consultation are posed by the DCLG and suggested answers for members to consider are provided in Appendix A.
- 1.7 The consultation is also being reported to the Planning Policy Cabinet Liaison Group to permit wider consideration that will assist the Portfolio Holder for Regeneration and Planning in her responsibilities for advancing the district's emerging new local plan.
- 1.8 The consultation document has also been considered by the senior council officers to represent their respective local authorities on the Shadow Combined Authority Housing Group to enable the preparation of a response that reflects the shared perspectives of the participating Lancashire local authorities.

2.0 GOVERNMENT'S PROPOSED APPROACH TO CALCULATING HOUSING NEED

- 2.1 The key element of the Government's consultation paper relates to the method for calculating housing need at local planning authority level. Previously local planning authorities have been required to prepare their own assessment of housing need by preparing a Strategic Housing Market Assessment (SHMA). The SHMA would provide an Objectively Assessed Housing Need figure – an OAN - which acts as a recommendation to the local planning authority on the scale of the housing requirement to be advanced by preparing the strategic element of their local plans.
- 2.2 Members will be aware that to inform the preparation of the emerging local plan Lancaster City Council appointed Turley (Economics) as an independent external consultant to investigate economy opportunity in the district. In 2015 Turley's provided the report "Lancaster District: Prospects and Recommendation for Achieving Economic Potential". The council further

commissioned Turley (Economics) to prepare an SHMA (Part 1) providing an OAN recommendation. In October 2015, in the context of their earlier report describing a positive assessment of local economic opportunity, Turleys recommended that the council's local plan should set a housing requirement of between 13,000 and 14,000 homes to be completed in the period between 2011 and 2031. Taking the mid-point of this range, this would equate to an annual average delivery rate of 675 new homes over the 20 year period.

- 2.3 On the 3rd February 2016 Council considered a report of the Chief Officer (Regeneration and Planning) and Chief Officer (Governance) which provided legal advice on the local plan housing requirements study. Council resolved to accept Turley's work as establishing the objectively assessed need for the local plan evidence base and moves to complete a draft Local Plan. Within that year, on 14 December 2016, the council unanimously resolved to consult on a draft local plan that sought to address Turley recommendation on housing need.
- 2.4 However, although Lancaster and many other local planning authorities have worked hard to advance local plans that intend to comply with the direction given in the NPPF on preparing local plan the Government in this current consultation takes a view that their present approach to establishing an OAN can be complex and costly, may take much time to conclude and may be inconsistently applied across the country.
- 2.5 The Government wants to reduce the time taken to agree local plan housing requirements and is therefore consulting on a simple, standardised approach to calculating housing need. By reducing the complexity of the process it is hope that speedier local plan outcomes may be achieved.
- 2.6 The proposed approach makes use of demographic projections from the Office of National Statistics (ONS) in relation to household growth over a 10 year period. These demographic projections set a baseline housing need for each local planning authority in England. The baseline is then adjusted to take account of the housing local affordability ratio, such that the baseline is increased in accordance with the relationship between local housing prices and local salaries¹. **The consultation is accompanied by a spreadsheet which illustrates that for Lancaster District this local affordability-adjusted baseline position would be for 401 new homes per year.** This would be applicable for the 10 year period from 2016 to 2026.
- 2.7 The Government recognises that applying this approach to market adjustment would lead to a significant increase in the calculated housing need in the parts of the country where housing is most expensive. To help ensure the method arrives at a deliverable level of housing need, the Government proposes to cap the increase to according to the current status of the local plan in each authority as follows:

¹ For example, under the consultation methodology an area with a projected household growth of 100 a year would have an annual need of:

- 100 if average house prices were four times local average earnings
- 125 if average house prices were eight times local average earnings
- 150 if average house prices were twelve times local average earnings.

- a) for those authorities that have adopted their local plan in the last five years, the new annual local housing need figure should be capped at 40 per cent above the annual requirement figure currently set out in their local plan; or
- b) for those authorities that do not have an up-to-date local plan (i.e. adopted over five years ago), the new annual local housing need figure should be capped at **40 per cent above** whichever is higher of the projected household growth for their area over the plan period (using Office for National Statistics' household projections), or the annual housing requirement figure currently set out in their local plan.

2.8 The consultation acknowledges that for some local planning authorities, a reduction in their local housing need compared to the existing approach can be attributed to the method not making a specific adjustment to take account of anticipated employment growth. However, as explained in paragraph 46 of the consultation, local planning authorities may plan for a higher number than set out by the proposed method. **This means that, where there is a policy in place to substantially increase economic growth, local planning authorities may wish to plan for a higher level of growth than the suggested formula proposes.**

2.9 As advised at paragraph 2.2 above, for Lancaster district evidence on the potential for economic growth, itself published in 2015, had already been prepared and taken into account in establishing the OAN recommendation. During the summer the council asked Turleys to review their 2015 work on Prospects and Recommendations for Achieving Economic Potential to establish of the evidence position supported the emerging local plan policies which had been prepared in light of their earlier work. The updated report, which will be published imminently states that Lancaster District's economy is in relatively good health compared with the position in 2015; with an improving employment position, approaching 10% growth in micro business formation, the delivery of strategic projects complete or underway and stakeholders exhibiting increasing confidence to invest." By 2031 however there will still be an imbalance in the demographic structure of the community because there will be a net reduction in the size of the working age population despite an overall growth in the population in general. Unchecked this could lead in economic decline.

2.10 The consultation states that the Government wants to make sure that it gives proper support to those "ambitious authorities" who want to deliver more homes. To facilitate this it proposes to amend planning guidance so that where a plan is based on an assessment of local housing need in excess of that which the standard method would provide, Planning Inspectors are advised to work on the assumption that the approach adopted is sound unless there are compelling reasons to indicate otherwise. The consultation document states that Government will seek to support the preparation of local plans which **plan proactively and positively for evidenced economic growth, however plans which seek to ignore such opportunities, or seek to not meet the baseline needs for housing will be critically analysed by Planning Inspectors at Public Examination.**

2.11 Detailed consideration is provided in section 6 below however, members are advised that in the particular current circumstances of Lancaster district, where economic prospects are already well evidenced, the outcomes for setting a local plan housing requirement are not likely to be significantly different when determined using the current methodology and when determined using the new methodology.

3.0 PREPARATION OF A STATEMENT OF COMMON GROUND

3.1 The Government believe that the Duty-to-Cooperate system is not working and this is a key reason why some plans are not being found 'sound' at Public Examination. The Government have highlighted that there is a lack of transparency and certainty at the early stages of the plan-making process about how local planning authorities are working together to solve strategic cross-boundary issues, such as those relating to housing delivery, economic growth and environmental matters.

3.2 The role of co-operation is only tested at the very end of the process (i.e. at Examination) and the use of the Duty-to-Cooperate system does not require local planning authorities to reach an agreement on strategic cross-boundary issues. Therefore as a consequence strategic, cross boundary issues may not be satisfactorily addressed through the plan-making process.

3.3 As a result the Government will be expecting local planning authorities to prepare a Statement of Common Ground to address these matters in a more comprehensive and transparent manner.

3.4 The Statement of Common Ground should be prepared to reflect key issues over a particular geographical area. The consultation document suggests that local planning authorities should use agreed housing market areas as the geographical areas which statements should cover unless circumstances dictate otherwise. The statement should address key issues pertinent to the area and should secure signatories from neighbours and key partners over how key issues should be addressed. It should highlight where agreement and common ground has been reached but it should also importantly show where agreement hasn't been reached and the reasons behind why this hasn't been achieved.

3.5 The Statement of Common Ground should be in place within 12 months of the revised NPPF being issued (i.e. in place by spring 2019), however the Government expects local planning authorities to prepare an outline statement within six months of the revised NPPF (i.e. autumn 2018).

4.0 NEIGHBOURHOOD PLANNING

4.1 The Government will continue to press local planning authorities to provide groups who are undertaking Neighbourhood Plans with a specific housing need figure for their plan to meet.

4.2 The figure provided should be based on the settlement hierarchy and

reasoned judgement and should be set out in the Local Plan. Where there is an absence of a local plan, the Government propose a simple, formula based approach which apportions an overall housing need based on local population of the neighbourhood plan area and calculate the percentage of the overall population in the local planning authority area. The housing need figure would be that percentage of the local authorities housing need.

- 4.3 The Government believe this approach would provide a strong starting point for neighbourhood plan groups in determining their response to meeting their housing need.

5.0 PROPOSED APPROACH TO VIABILITY ASSESSMENT

- 5.1 The Government are keen to make sure that infrastructure matters are dealt with in a quick and simple manner to improve certainty and transparency. The government expect that local planning authorities set out the types / thresholds for affordable housing provision, the infrastructure needed to deliver the plan and expectations to how these will be funded (including the contributions which the development industry will be expected to make).
- 5.2 The Government expect these matters of principle to be resolved through the plan-making process and tested for their viability. Should it be concluded that the plan itself does not affect viability (through extensive and robust testing) then it is the Government's intention that these matters should not be revisited and retested as part of subsequent individual planning applications. This is anticipated to save time and resources from repetitive arguments for each planning application received.
- 5.3 The Government are also keen to increase the transparency of viability assessments, improving the engagement of both housing and infrastructure providers through the plan-making process so they can better inform the preparation of plans. In terms of viability evidence, the Government have an expectation that all evidence provided by the development industry should be open and available to all interested parties to maximise transparency and accountability.

6.0 KEY ISSUES TO RAISE IN THE CONSULTATION RESPONSE

- 6.1 There are a range of issues arising from the consultation documents which require further consideration and clarity from the Government, these issues include the following:

Calculation of Housing Need

- 6.2 The principle of providing a simpler, standardised method for calculating housing need is supported and could, with further clarification and consideration by the Government, reduce the opportunities for conflict both from local communities and the development industry over the future scale and direction of development in the local plan.
- 6.3 However, there are some significant concerns over the Government's proposed approach in that it lacks clarity and appears to be contradictory to

other elements of Government thinking, particular in relation to economic matters such as the Northern Powerhouse and Industrial Strategy, which was only published in January 2017.

- 6.4 There is concern over a public perception of this standardised approach, the publication of a 'starting point' or baseline position will be seen by many as 'the housing requirement' for the area without giving proper consideration for the need to uplift this figure, whether this uplift be in relation to market signals or the opportunity for economic growth.
- 6.5 The consultation paper makes reference for the need of local planning authorities to plan positively and proactively for economic growth, and indeed that failure to do so could lead to an unsound plan.
- 6.6 However, these notions are not expressed clearly enough and the methodology as currently presented appears to remove the need to align housing and economic growth needs, leaving the argument for economic growth up to local authorities to agree on whether they should meet the economic potential of the district.
- 6.7 Whilst this may place more control in the hands of local decision making, it may end up having the reverse outcome to what the Government intends in terms of reducing the protracted arguments over what the local housing need should be. As a result it is strongly urged that more recognition is given to the matters of addressing economic potential, the outcomes if such potential is not planned for.
- 6.8 There is support for a methodology which seeks to ensure that those areas where the greatest need for affordable housing is are required to provide additional housing to address this issue. This approach is not dissimilar from the current approach where market signals are taken into account. The proposed methodology would remove some of the ambiguity as to the level of additional uplift required based on market signals which is a positive step forward.
- 6.9 However, it must be recognised in planning for needs where the demand is greatest (i.e. the South East and Greater London) rather than seeking to provide a more spatial approach which would seek to rebalance development needs towards the Northern Powerhouse may lead to continuing problems through the widening of the North-South divide.
- 6.10 The proposed approach also lacks advice and guidance on other key issues relating to housing delivery. For example presently there is no guidance on how any housing backlog previously built-up under the old approach to calculating housing need will be taken into account and the timeframe for which future calculations will be based.
- 6.11 Currently housing backlogs are taken into account through the arithmetic for calculating an areas objectively assessed housing need with this figure ultimately having regard to past periods of under delivery. For Lancaster district these periods of under delivery, particularly between 2010 and 2013

have been significant and has presented a significant challenge to the Council demonstrating a 5-year supply of housing.

- 6.12 The emerging approach presented by the Government provides no guidance on this issue, potentially implying that any backlog will be wiped off once the new requirement is calculated with this representing a new base date. This potentially has implications for the calculation of longer term housing delivery and the 5 year supply position and further clarity should be provided by the Government to this significant matter.

Statement of Common Ground

- 6.13 The Council already have a strong track record in engaging with its neighbours in relation to cross-boundary matters via the Duty-to-Cooperate process. Both Members and Officers have ensured that active dialogue has taken place through the plan-making process allowing for respective positions to be understood and, where necessary, addressed in the emerging local plan.
- 6.14 The proposed Statement of Common Ground provides a further level of formality to this process to ensure that there are clear outcomes to discussions and that clarity is provided on responsibilities, shared challenges and strategic issues and timescales.
- 6.15 In principle the local of Statements of Common Ground are supported and could provide further clarity and transparency in ensuring that cross boundary matters are effectively resolved. Given the self-contained nature of this district the complexity of cross-boundary issues are considered to be relatively low, however the preparation of such statements elsewhere in the country may be particularly complex and challenging.

Neighbourhood Planning

- 6.16 The principles of providing Neighbourhood Plan groups with a specific housing need would provide certainty to local communities over the scale of housing required in their area. However, there are a number of fundamental challenges to implementing such an approach.
- 6.17 Firstly, it is not clear what robust evidence could be used to demonstrate and justify the figure provided to local communities, particularly on occasions where there is an expectation from the local planning authority that the Neighbourhood Plan area has opportunities to meet wider development needs than merely the specific community within the Neighbourhood Plan area.
- 6.18 Any numerical figure provided is likely to be immediately challenged from all sides, from the local community suggesting the requirement is too high and from the development industry suggesting the requirement is too low. This will lead to significant challenges and tensions within the Neighbourhood Plan system causing conflict and delay to the preparation of such plans.
- 6.19 To ensure that these challenges are addressed, the Government, through revisions to the National Planning Policy Framework, must provide more clarity on the basis on which such figures should be provided.

Viability Assessments

- 6.20 The role of viability assessments becoming ever more important to the planning process to ensure that much needed development can be delivered. However, the role of viability assessments to escape from the delivery of much needed infrastructure is becoming a more regular occurrence through the application process.
- 6.21 Presently the majority of significant development proposals are accompanied by viability assessments which seek to lower the levels of contributions which can be achieved, whether this relates to the provision of affordable housing or other infrastructure delivery. The assessment of such assessments take time, placing pressures on development management timescales and incur extra officer resource in checking the validity of such assessments.
- 6.22 Therefore the proposed approach from the Government that an understanding should be secured in the plan-making process (through the preparation of the local plan) and then not revisited on a case-by-case basis through the application process is welcomed in principle. Such an approach would mean that decisions on planning applications can be made in a timelier manner and resources would not have to be directed into the individual assessment of viability on a site-by-site basis.
- 6.23 However, there are clear challenges to this approach which are not addressed by the Government. For example, it is highly likely that applicants will continue to challenge assumptions on development viability in relation to site-by-site abnormal costs or that the assumptions made within the plan-making process are incorrect or out-of-date.
- 6.24 As a result at this stage whilst the principles of this approach are supported, it is not clear that the outcomes described can be realistically achieved.

7.0 CONCLUSIONS

- 7.1 The key issues raised in Section 6 of this Report are considered to be the main points which should be raised as part of this consultation. Suggested answers to help prepare the council's formal response are presented in Appendix 1. The consultation deadline is 9th November 2017.
- 7.2 Officers will continue to monitor changes to national planning policy, particularly in relation to how such changes may affect the preparation of the emerging local plan.

Appendix A:

Suggested Answers to Consultation Questions for discussion (attached).

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

This response is to a consultation on a potential revision to methodology, as such the report has no implications.

LEGAL IMPLICATIONS

The council has a responsibility to prepare a local plan, in order to prepare a plan that is sound it must do this in accordance with current national guidance. The council needs to maintain awareness of revisions to national policy and guidance for the preparation of local plans. This response is to a consultation on a potential revision to methodology, as such the report has no legal implications.

FINANCIAL IMPLICATIONS

There are no additional financial implications arising as a direct result of this report.

The council has published its intention to advance the Local Plan in its local Development Scheme (formal project timetable), this anticipates that the council will formally submit its emerging Local Plan to Government around next April. The preparation of timely local plans is an expectation of national government and is also a significant council priority. The local plan must be advanced in the context of extant national guidance and ongoing consultations on prospective changes to national planning guidance should not delay the preparation of local plans. The council is therefore advised to maintain progress on plan preparation. Having an up to date local plan in plan will reduce the prospect of the authority losing planning appeals and therefore reduce the risk of the risk of exposure to cost claims from successful appellants.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer was consulted and had no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer was consulted and had no further comments.

BACKGROUND PAPERS

Available on link to DCLG Website [here](#)

1. Planning for the right homes in the right places: consultation proposals DCLG September 2017.
2. Application of proposed formula for assessing housing need, with contextual data.

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