



**REPORT of
DIRECTOR of STRATEGY, PERFORMANCE AND GOVERNANCE**

**to
STRATEGY AND RESOURCES COMMITTEE
17 SEPTEMBER 2020**

CONSULTATION ON CHANGES TO THE CURRENT PLANNING SYSTEM

1. PURPOSE OF THE REPORT

1.1 The Government is consulting on changes to the current planning system. This consultation is proposing significant changes to the planning system, which will impact on the annual housing target for Maldon District, and the ability to deliver affordable housing on sites under 50 dwellings in size. Officers have drafted responses to this consultation, for this Committee to consider prior to them being submitted. The consultation closes on 1 October 2020.

2. RECOMMENDATION

That this Committee agree the proposed response to the Changes to the Current Planning System consultation, as set out in **APPENDIX 1**.

3. SUMMARY OF KEY ISSUES

3.1 Ahead of the wholesale changes to the planning system proposed in the “Planning for the Future” White Paper (a report on this will be provided to Members at a later date), the Government is proposing changes to the current planning system. The consultation has 35 questions, the draft responses for these are in **APPENDIX 1**.

3.2 The main body of this report will summarise the proposed changes, which fall under the following headings:

- The standard method for assessing housing numbers in strategic plans;
- Delivering First Homes;
- Supporting small and medium-sized developers;
- Extension of the Permission in Principle consent regime.

3.3 The standard method for assessing housing numbers in strategic plans

3.3.1 The local housing need for Local Planning Authorities (LPAs) is calculated using a standard method. The outcome of the calculation is used as the minimum housing need figure in Local Development Plans (LDPs), and as the delivery target in the annual Housing Delivery Test (HDT). The HDT is a measure of housing delivery over the previous three years compared to the housing requirement over the same

period. An increasing scale of sanctions are applied to a LPA area if the delivery of homes falls below the housing requirement. Maldon District has consistently passed the Housing Deliver Test (HDT) since its introduction.

- 3.3.2 Currently, the standard method comprises a baseline of household projections which are then adjusted to take account of affordability and capped to limit the increase for an area. Step 1 of the current method sets the baseline using a 10-year average of the 2014-based national household growth projections. Step 2 goes on to adjust the Step 1 outcome based on the affordability of the area. Step 3 then applies a 40% cap to limit the increases an individual local authority can face. The current standard method uses the 2014 Household Projections as the base of the calculation. For 2020, this gives Maldon District an annual local housing need of 308 dwellings, which compares well with the LDP housing target of 310 dwellings per year.
- 3.3.3 Step 1 of the proposed change uses a baseline of whichever is the higher of 0.5% of existing housing stock in each local authority OR the latest projected average annual household growth over a 10-year period, using the most up to date household projections (i.e. the 2018 household projections). The use of the most up to date household projection is welcomed. The use of housing stock is designed to provide stability in the calculation, however, this approach penalises smaller LPAs with small housing stocks, as the household growth projection will always be larger than 0.5% of the housing stock.
- 3.3.4 Step 2 – Adjusting for market signals: The standard method will include two adjustments to the baseline using the workplace-based median house price to median earnings ratio. Initially it is proposed that the ratio for the most recent year for which data is available should be used, in order to address current affordability of homes. This is the same as the current methodology. A second adjustment incorporates how affordability has changed over the last 10 years.
- 3.3.5 Step 3 – The 40% cap is abolished.
- 3.3.6 Therefore, the proposed method results in a local housing need of 623 dwellings per annum for Maldon District. More than double the result for 2020, using the existing method. Table 1 below shows the outcome of the current and proposed standards methods, and two alternative options.

Table 1 – Outcomes of standard methodology with alternative options for comparison:

Methodology	Annual housing need target
Existing standard method	308
Proposed standard method	623
Alternatives:	
Existing methodology applied to 2018 Household projections	368
Proposed standard method with 40% cap (LDP target 310 dwelling per annum (dpa))	434

3.3.7 Not only would this housing need figure be the minimum figure for future updates of the Local Plan, it will also be used for the HDT. When applied to the HDT, it is likely that the District will pass the HDT next year, but fail, in 2022. Sanctions for HDT failure range from preparing an Action Plan to support housing delivery, to adding 20% onto the Five-Year Housing Land Supply, through to the LDP policies becoming ‘out of date’ and planning applications being assessed against the National Planning Policy Framework (NPPF), rather than the LDP.

3.3.8 Further proposals on the standard methodology are included in the White Paper; the local housing need figure may therefore increase further.

3.4 **Delivering First Homes**

3.4.1 The Government wants to help people buy their own home. The concept of First Homes will give people the opportunity to buy a discounted home in their local area, rather than need to move elsewhere. The scheme is suggesting a minimum discount of 30%, to improve affordability by lowering deposit and mortgage requirements. The discount on a First Homes house remains in perpetuity.

3.4.2 The Government intends that a minimum of 25 per cent of all affordable housing units secured through developer contributions should be First Homes. This will be a national threshold. First Homes will replace, as a priority, other affordable home-ownership products, such as shared-ownership. The Government proposes that, under the new system, a policy compliant planning application should seek to capture the same amount of value for affordable housing as would be captured under the local authority’s up-to-date published policy.

3.4.3 In Maldon District, the predominant forms of affordable housing secured on new developments are affordable rented homes, and, to a much smaller degree, shared-ownership properties. The LDP sets out the proportion of affordable homes required on eligible sites in different areas of the District. On sites, the aim is to achieve a mix of 80% affordable rent and 20% intermediate affordable (e.g. Shared-Ownership) properties, depending on site viability.

3.4.4 In 2019 / 20 a total of 150 affordable homes were completed in the District. Of these 98 were affordable rent (65%), and 52 shared-ownership (35%).

3.4.5 If 25% of all affordable homes on a site were to be First Homes, applying that to the total number of affordable homes delivered last year, then there would be 38 First Homes; which would reduce the number of Shared-Ownership homes to 14, leaving the number of affordable rented homes unaffected at 98.

3.4.6 However, if the proportion of Shared-Ownership properties on a particular site was less than 25% of the total number of affordable homes on that site, then the First Homes would completely replace any Shared-Ownership properties on the site and reduce the number the affordable rented homes on the site too.

3.4.7 Discount Market Housing has had a very limited role in delivering affordable housing in the District, as the discounts usually applied are not sufficient to make housing affordable to local people. The minimum discount for First Homes would be 30% from market price which will be set by an independent registered valuer. The

valuation should assume the home is sold as an open market dwelling without restrictions. Local authorities will have discretion to increase the discount to 40% or 50%. The need for greater discount would need to be evidenced in the Local Plan making process. Where discounts of more than 30% are applied to First Homes, the requirement for a minimum of 25% of units onsite to be First Homes will remain in place.

- 3.4.8 The Government recognises that local authorities may need to review the tenure mix for the remainder of the affordable housing that they are seeking to secure. Where local authorities choose to update their tenure mix to reflect this policy, or increase the discount on First Homes, they can do this through a Local Plan review, although the Government believes that prioritising the replacement of home-ownership tenures by First Homes will reduce the need for this. Any Local Plans or Neighbourhood Plans being prepared, submitted within six months of the First Homes requirement being enacted will not need to reflect the First Homes policy requirements.
- 3.4.9 The Government proposes that First Homes be exempt from the Community Infrastructure Levy (CIL), which will restrict a local authority's ability to fund and deliver infrastructure to support growth.

3.5 Supporting small and medium-sized developers

- 3.5.1 Small and medium-sized builders (SMEs) make an important contribution to overall housing supply. Small sites typically build out more quickly than larger sites, as they are less constrained by the market absorption rate. SMEs build mainly on smaller sites. As well as having national importance, SMEs play a significant role in local areas – providing people with increased choice in type and design of housing. A range of builders, using different designs, across different site sizes, in different locations increases build out rates and overall supply. To support SMEs in the medium term during economic recovery from Covid-19, the Government is proposing to reduce the burden of contributions on SMEs for more sites for an initial period of 18 months. Support for SME builders is welcomed, although how the Government intends to provide it will have a negative effect on the provision of affordable housing in the villages in Maldon District.
- 3.5.2 To stimulate economic recovery with a particular focus on SMEs, the threshold for requiring affordable housing contributions could be raised. The intention is to reduce the burden of developer contributions, as smaller sites are more likely to be delivered by SMEs. The consultation suggests that site size threshold for the provision of affordable housing could increase to 40 or 50 dwellings. In comparison, the LDP requires affordable housing on sites of more than 10 dwellings. Currently there are four sites, of between 11 - 50 dwellings, with planning permission in the District. All four of these sites are located in villages; historically, sites of this range have tended to be located in villages rather than larger settlements within the District. Although affordable housing can be delivered through Exception Sites in the rural areas of the District, none of these have come forward at this time. In all likelihood market housing sites for 11 - 50 homes are often the only opportunity to deliver affordable housing in rural areas. If affordable housing is excluded from these sites, that opportunity will be lost.

3.5.3 It is not clear what the 18-month period would apply to. Whether it only refers to the submission of planning applications, or would require development to commence on site within the 18-month period.

3.6 **Extension of the Permission in Principle consent regime**

3.6.1 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).

3.6.2 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 aims to ensure that the principle of development only needs to be established once.

3.6.3 The Government proposes to remove the restriction in the current Permission in Principle regulations on major development. This will enable applications for Permission in Principle to be made for a far wider range of sites (from 10 - 150 dwellings), enabling more landowners and developers to use this route to secure permission for housing development

3.6.4 The existing restrictions in the Permission in Principle Regulations relating to Environmental Impact Assessment (EIA) and Habitats requirements will remain, reflecting the fact that Permission in Principle is granted on the basis of limited technical information and there is not sufficient environmental information for these requirements to be accurately assessed at the point of decision.

3.6.5 This means Permission in Principle by application will not in practice be a route to permission for large sites capable of delivering more than 150 dwellings, or more than 5 hectares – the EIA Regulations 2017 Schedule 2 threshold for urban development, save where a screening opinion has been obtained which concluded the proposal was not EIA development. Similarly, Permission in Principle will not be suitable for sites in areas where, applying the Conservation of Species and Habitats Regulations 2017, there is a probability or risk that the project is likely to have a significant effect on a European site, unless the application was accompanied by an appropriate assessment demonstrating there was unlikely to be significant impact on the site.

3.6.6 To date there have been two ‘Permission in Principle’ valid applications in the District, and no approvals.

3.6.7 There are only small pockets of brownfield land in the District, outside areas allocated in the LDP. It is unclear, taking in to account the limited number of applications submitted under the existing regime, to fully assess the impact on the District through an increase in Permissions in Principle.

4. CONCLUSION

- 4.1 The Government's consultation proposes major changes to the current planning system that will impact on Maldon District, in particular on minimum local housing need requirement, and the delivery of affordable housing. Committee approval is sought for the draft consultation response at **APPENDIX 1**.

5. IMPACT ON STRATEGIC THEMES

- 5.1 The implementation of these changes will impact on the following strategic themes: Performance and Efficiency, Planning for the Future, Growth and Infrastructure, Economic Development.

6. IMPLICATIONS

- (i) **Impact on Customers** – Implementation of these changes may result in increased numbers of planning appeals, thus removing decision making from the local level to the Planning Inspectorate.
- (ii) **Impact on Equalities** – This could affect the Council's ability to deliver the types of affordable housing that are required to meet local needs, impacting on vulnerable residents.
- (iii) **Impact on Risk** – Implementation of these changes may mean the local planning authority is at risk of planning by appeal due to changes to how housing need is calculated, and performance measured, this could undermine public confidence in the decision-making.
- (iv) **Impact on Resources (financial)** – The implementation of these changes may result in increased numbers of planning applications and planning appeals, resulting in increased staff resource requirements and increased financial resources required to defend planning appeals. It may increase the number of awards of appeal costs against the Council.
- (v) **Impact on Resources (human)** – The implementation of these changes may result in increased numbers of planning applications and planning appeals, resulting in increased staff resource requirements.
- (vi) **Impact on the Environment** – Implementation of these changes may result in increased levels of housing development in the countryside, outside of settlement boundaries.
- (vii) **Impact on Strengthening Communities** – None.

Background Papers: Changes to the Current Planning System

<https://www.gov.uk/government/consultations/changes-to-the-current-planning-system>

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