

GOVERNMENT CONSULTATION CHANGES TO THE PLANNING SYSTEM

DRAFT EXPLANATION AND LINES OF RESPONSE TO GOVERNMENT

BACKGROUND

The consultation paper - Changes to the Planning System was published on 6th August 2020 alongside the Planning White Paper (Planning for the Future). It sets out questions on specific measures intended to support the development industry in recovery. It also takes forward government priorities on housing delivery and the 'First Homes' scheme. The consultation closes on 1st October (before the White Paper) and it is likely that measures will come into effect later this year.

The main proposals will have significant and potentially adverse implications for Mendip and the delivery of the Council's corporate priorities.

This paper explains the changes and recommends lines of response – these will be finalised before the submission deadline alongside responses to the government consultation questions.

CHANGES TO THE NATIONAL STANDARD METHOD FOR SETTING DISTRICT HOUSING REQUIREMENTS

A national housebuilding target (expressed as an annual housing requirement) for all English Planning Authorities was introduced in the 2018 NPPF. A national formula (known as the standard method) sets out what the government considers local authorities should be seeking to achieve in their Local Plans and local housing delivery. The formula is based on projected household growth plus an uplift to reflect local affordability. Essentially the greater the gap between local incomes and house prices, the higher the uplift.

The current housing requirement based on the national formula (also called Local Housing Need or LHN) is around 600 homes a year compared with the adopted local plan figure of 420. The formula is constructed so that the requirements add up across the country to the government housebuilding target of 300,000 homes a year.

In theory, the formula does not replace the requirement set through Local Plans as it takes no account of local constraints, sites and markets. However, where a local plan is more than five years old from adoption – as is the case in Mendip, it becomes the default figure in the Council's five year housing supply and is the starting point for new plan preparation. Since December 2019, the Council has not been able to demonstrate a five year supply which means national policies carry greater weight in planning decisions to approve speculative housing development.

The consultation paper now proposes revisions to the formula which were intended to address imbalances across the country from lower housing targets in urban areas and the ‘gap’ between household projections (which are being revised down) and the 300,000 a year target. However, the changes substantially increase the LHN for Mendip and many other rural areas through adding a new affordability uplift (based on rate of change in affordability over the last 10 years) and removing a cap which limited uplift to no more than 40% of the Local Plan figure.

The revised standard method for LHN produces a figure of 1060 homes a year for Mendip, a 154% rise from the adopted Local Plan Part 1.

This figure is both excessive and disproportionate in comparison with national household projections over the next decade of 490 homes a year and long term delivery rates in Mendip of 455 homes a year.

The revised formula produces a national total of 337,000 homes a year. The consultation paper contains limited justification for the revised formula or refers to evidence or testing of options. As with the original standard method, it remains driven by top down targets to drive up housebuilding and represents a simplistic and flawed approach to tackling housing affordability through the ‘over-provision’ of land for development. Neither this consultation nor the White Paper contain measures to push housebuilders to deliver.

The formula also produces strikingly different results in neighbouring authorities— see Table 1.

	Current adopted plan figure	Old LHN	New LHN	Revised LHN % change
Mendip	420	599	1064	78%
Somerset W & Taunton	995	691	1,231	78%
Sedgemoor	644	746	824	10%
South Somerset	725	685	612	-11%
BaNES	720	648	1216	88%
Wiltshire	2100	2006	2917	45%

Table 1

Source: Lichfields Planning Blog – What does the standard method mean for the SW – 20th August 2020.

The new method if confirmed would have an immediate impact on Mendip which is in the early stages of replacing its Local Plan and –like many authorities in England – no longer has a five year supply resulting from the imposition of the original standard method.

The revisions to the standard method are envisaged as a short term ‘fix’ as the White Paper proposes to drop the five year supply test and LHN as part of its wider planning reforms. LHN would be replaced with a MHCLG-led set of binding housebuilding targets for LPAs, but this would factor in local constraints/opportunities. This is discussed in detail in Proposal 4 of the White Paper. Para 2.29 of the White Paper does also suggest that the government may choose not to introduce the revised

formula straight away and that it will take into account the responses to the White Paper.

The key adverse consequences would include:

- A doubling of the 'starting point figure' for the replacement local plan. This would imply an unprecedented scale of planning for housebuilding in Mendip roughly equating to an additional town the size of Frome over the plan period.
- Once in force, the new LHN number would dramatically reduce the council's five year supply position. While planning applications will continue to be assessed on a case by case basis against harms and benefits, the change would likely embolden the position of landowners and developers to submit speculative development, irrespective of their sustainability.
- The revised LHN effectively nullifies the council's approach of identifying land in its Local Plan Part II to regain a five year supply and provide certainty for its communities. This also has implications for Neighbourhood Plans which allocate homes where there is some protection from speculative development where the LPA can show a 3 year supply
- The revised LHN will set an 'undeliverable' benchmark for the national Local Housing Delivery Test.
- The changes - together with proposals in the White Paper and local government reform, also impact on the Mendip's replacement local plan programme.

Proposed Response

It is recommended that the Council confirm its objections and concerns on the following lines:

- That the revisions to the formula do not achieve their aim to balance housing targets to urban areas. Instead, the formula appears to rely on direct disproportionate increases to rural areas – especially those which are not protected by Green Belt.
- The impacts appear designed to accelerate the pressure on development in the countryside. The formula will not therefore deliver suitable or sustainable development.
- The approach and justification of the standard method remains flawed and does not address the affordability of housing.

- If the formula is to be retained at all either the ‘cap’ should be retained or a more sensitive and sophisticated model is required which takes into account constraints. Proposals should be proportionate in scale to settlements.
- The short term revision of LHN should be dropped and re-considered as part of the white paper reforms.

RAISING THE THRESHOLD FOR AFFORDABLE HOUSING

As a ‘recovery’ measure, the government propose to raise the threshold for affordable housing provision from 10 to either 40 or 50 homes. The change in threshold would be time limited to a period of 18 months. The proposal is intended to reduce the burden of negotiation for small and medium-sized developers and increase the viability of smaller scale sites. Planning guidance is also promised to counter developers using phasing of larger sites to avoid affordable housing contributions.

The proposal directly conflicts with the joint Somerset Housing Strategy agreed in 2019 which seeks to maximise affordable housing as a priority. The joint officer Somerset Housing Group (SHOG) will also be responding to this aspect of the consultation.

Windfall housing sites of between 10 and 50 units in Mendip are less prevalent than some areas. The Council’s experience is that a relatively small group of developers operate in Mendip on this size of scheme as it is too small for the major housebuilders. It is questionable whether this measure will increase supply as smaller housebuilders do not have the capacity to build out more schemes. Often this scale of scheme is funded through off-plan sales with a limited number of houses built each year, irrespective of viability.

This measure would have an unwelcome impact on housing allocations in Local Plan Part 2 and potentially put at risk the delivery of 130 affordable housing units at policy compliant levels. This measure could also impact on landowners looking to bring forward exception sites in the short term.

Recommended Response

To object in principle to the government proposal which will have a direct impact on planned capacity to deliver affordable homes of all types in in the short to medium term.

To highlight that in the Council’s experience, the involvement of an affordable housing provider can often positively benefit housing delivery by providing a guaranteed taker for units / finance.

To object to yet another example of direct government intervention to over-ride local plan policies. In a rural area such as Mendip, the measure has no guarantee of increasing delivery or supporting small builders. There are concerns that speculative applications would be submitted or existing consents revised to ‘bank’ the value of the land which would have the benefit of a housing consent without an affordable housing contribution.

FURTHER DETAIL ON THE FIRST HOMES SCHEME

'First Homes' are dwellings for sale at minimum 30% discount to the open market value. It will be restricted to first time buyers (FTB) with a household income under £80,000.

These will count as 'affordable housing' as:

- (1) The council can limit purchasers to FTB with a local connection and other criteria;
- (2) The discount will be locked into the title deeds by covenant and the discount is retained when property is sold on.
- (3) First Homes will have a price cap of £250,000.

The government intend to introduce a First Homes scheme ahead of white paper reforms to s106 and CIL. It has already determined that 25% of future affordable units secured via s106 will be First Homes.¹ Responses are sought relating to the options for a council to negotiate the mix on remaining units, changing the discount level through local plan policy and arrangements for sites under negotiation.

Officers have many concerns aside from these questions around the operation of the First Homes Scheme, not least significant burdens on the council to make it work. If discounted homes are not taken up by locally eligible applicants within a relatively short period (3 months), they become open to all first time buyers. Government have indicated it will produce further consultation and guidance on the detail of the scheme.

Exception Sites

The government propose to convert its failed 'starter homes' exception sites policy to a new First Homes exception policy. This would allow housing sites contrary to local policy to be approved provided they are largely first homes. First Home sites would be restricted in rural areas where rural exception policies would still apply.

Recommended Response

A detailed response to the consultation questions on affordable housing will be made through the Somerset Strategic Housing Officers Group.

Local first time buyers could benefit from the First Homes scheme but it will be at the expense of the scope of councils to meet local housing need and the provision of housing for social rent which is Mendip's main priority.

Councils should retain the ability to negotiate the best mix and tenure types to meet local need and this should not be prescribed nationally.

¹ A separate consultation on First Homes took place in February 2020 and the government have published a response - see <https://www.gov.uk/government/consultations/first-homes>

Measures to protect rural exception sites are supported and are essential.

EXTENSION OF PERMISSION IN PRINCIPLE

Permission in Principle (PiP) provides an alternative route to a planning consent for housing. A PiP confirms the acceptability of development of the site location, the range of units and extent of non-residential development.

It is different from outline consent in that no other matters can be considered (e.g. access) or 'conditions' attached. If a PiP is granted then the developer must then apply for a full 'technical details' consent. The purpose of PiP is to give the landowner/developer early certainty without the costs involved in an outline application and has a 'fast track' decision process. However, the downside is that PiP does not guarantee a consent will be granted.

At present, PiP can either be granted by the Council through its brownfield register or an application can be submitted directly for minor development. The consultation proposes to extend PiP to major development for proposals up to 150 units. The government is also seeking ways to make PiP more attractive given low take-up by the development industry. The experience in Mendip is that there has been limited interest. Only one PiP application has been made in Mendip and then withdrawn.

Impact on Proposals on Mendip

The use of PiP is limited in Mendip as it cannot be used where an assessment of international designated habitats is required. Nearly all of Mendip is either AONB or a habitats consultation zone. In effect, it will be difficult to submit a PiP without supporting evidence to assess there are no significant effects.

Proposed Response

The following lines of response are recommended:

To confirm the limited interest of PiP in Mendip.

To express concern at extending PiP to major sites given the overall timescale for determination (5 weeks) and consultation (2 weeks).

To suggest that developers and landowners would get better 'value' on certainty from the current pre-application process.

