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24 SEPTEMBER 2020

GOVERNMENT CONSULTATION ON CHANGES TO THE CURRENT PLANNING SYSTEM

1. Summary

1.1 The Government is consulting on: changes to the standard method for assessing housing numbers the Government requires Local Authorities to plan for; First Homes; supporting small and medium sized developers by reducing the range of developments when affordable housing would need to be delivered; and extending the permission in principle consent regime. Appendix B sets out the Council's proposed responses to the consultation questions.

2. RECOMMENDATION

2.1 That the responses to the questions, set out in Appendix B to the report, form the Council's response to the Government's Consultation on Changes to the Current Planning System.

3. Background and Discussion

3.1. The Government has published the consultation document "Changes to the current planning system." This is included as Appendix A. There are four parts to the document as follows:

- Standard method for assessing housing numbers in strategic plans
- Delivering First Homes
- Supporting small and medium-sized developers by reducing the amount of affordable housing that they would need to deliver through new planning permissions for 18 months
- Extension of the Permission in Principle consent regime

The consultation takes the form of a series of questions and ends on 1 October 2020. The suggested responses to the consultation questions are set out in Appendix B, with the key points outlined below.

3.2. It should be noted that the government can implement the changes proposed in this consultation by way of amendment to the national Planning Policy Guidance and they will not require legislation. The changes can, therefore, be brought into effect almost immediately after the end of consultation period. Whilst these changes are considered to be only technical, their impact on Dartford as well as on other authorities is likely to be very significant.

3.3. Government is also consulting on its Planning for the Future White Paper. These proposed changes involve a radical change to the existing planning system and received a large amount of publicity recently. These proposals will require primary legislation and will take a longer period to come into effect. The consultation for the White Paper ends on 29 October 2020 and there will be a report on this at the Cabinet meeting on that date.

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- 3.4. The White Paper makes reference to possible adjustments to the Housing Need numbers derived through the standard methodology through consideration of constraints and opportunities, so as to soften their impact. Whilst this will be welcome, it will be some time before these further changes come into effect. In the meantime, the proposals set out in the technical paper could give rise to a very large number of planning permissions for housing in a location and form which may not be considered acceptable as assessed against the current Local Plan. This could be both as a result of the housing numbers methodology and the proposals for an extension to permissions in-principle. These permissions may not be built out immediately but could have an adverse impact on the Borough for years to come. For this reason, a strong response to the consultation is proposed.

Standard method for assessing housing numbers in strategic plans

- 3.5. A standard method for identifying the minimum number of homes to be planned for in each Borough was first introduced by the Government in 2018. This method identifies the target number of new homes locally, which Boroughs must take on board when looking at housing delivery and capacity in setting the final housing requirement level in the Local Plan although this number is not binding. The current method has not been successful in achieving the government's target for delivery of 300,000 homes a year nationally, hence new proposals are being brought forward which are less flexible than the current method. The current method is firstly based on household growth projections for a 10 year period and then adjusts the baseline to take account of affordability in an area. A house price to earnings ratio of four is taken as the affordability baseline, with levels above this requiring a proportionate increase in housing delivery. Finally, it capped the level of any increase to 40% of the current housing need figure set out in the Local Plan.
- 3.6. The Government is consulting on proposed changes to the standard method for calculating the annual number of homes local authorities need to plan for, refining the approach – principally to increase the national aggregate total housing target. This will involve a three step approach. It is proposing to introduce a percentage of existing housing stock levels into the method as an alternative to household projections, which is justified in order to take into account the number of homes that are already in an area. It would still retain the household projections as it considers that these provide the most robust estimates of future growth trends. The method would involve using 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, whichever is the higher.
- 3.7. The proposal is to continue to use the house price to earnings affordability ratio (Step 2). However, a further adjustment is then added (Step 3) taking into account how affordability has changed over the last 10 years. Significantly, it would also remove the cap protecting those areas faced with substantial disproportionate increases in the target.

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3.8. The figure using the proposed new method will underpin the Council's annually updated Five Year Housing Land Supply (until confirmed/ an alternative final local requirement is justified through the new Local Plan), and deliverable sites capable of meeting the figure will need to be identified. Failure to demonstrate a five year supply of sites which have reasonable certainty of delivery will undermine the Council's position at appeals for planning applications refused by the Council. The housing figure will also inform the new Local Plan, work on which is well underway. The level of growth over the 15 year plan period will be heavily determined on the basis of the new methodology, as amended by any cross-boundary agreements.

3.9. Using the proposed approach, **Dartford would have to plan for 1,441 new homes per annum**. The requirement using household projections alone is 657 homes per annum but applying the affordability adjustment results in a 120% uplift. To put the new proposed target figure for Dartford in context:

- The existing adopted housing delivery figure set out in the Core Strategy of up to 17,300 homes over the 20 year period 2006-2026 equates to an average of **865 homes per annum**
- The Dartford requirement under the current national standard method is for the provision of **797 homes per annum**
- In terms of actual past delivery, completion figures over the 5 years to March 2019 were high at 565, 971, 1162, 1031 and 1013 homes per annum respectively, **resulting in an average of 948 dwellings per annum**, a significant increase on levels in the earlier part of the Core Strategy plan period. (However, due to issues facing the national economy, the figures for the next couple of years are projected to be below this level).

In light of the above, it is considered that the delivery of 1,441 new homes per annum in the Borough would be a sudden and substantial increase and wholly unrealistic to achieve. Further detailed analysis looking at authorities in Kent and housing delivery, existing size of stock and affordability is set out in the response (Appendix B questions 1 to 7).

3.10. The proposed response very strongly objects to the proposed changes to the standard method, setting out a clear rationale and data demonstrating the Government's proposed formula is not an effective, fair, or sustainable methodology from which to derive a baseline.

3.11. At the outset there is a fundamental flaw that defining affordability based on local house prices and workplace earnings only is too simplistic to be used in determining local housing need. This narrow calculation penalises areas such as Dartford in a number of ways. The changes in an area's affordability ratio is influenced by many factors including rising house prices unconnected to levels of local need.

3.12. The proposed method is unfair in punishing those authorities that have delivered on their housing needs and more. As in Dartford's case, it encourages further in-migration resulting in a spiral of ever-increasing housing projection figures, since the projections build in past levels of in-

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migration. By contrast, those authorities that have underprovided for their internal housing needs export the need elsewhere. This results in net outmigration and lower household projections. By using this methodology these under-providing authorities are rewarded for past under-delivery by low housing delivery targets in the future. Analysis of the data, as shown in Appendix B (Q1), demonstrates the distorted outcomes. This is unacceptable when land availability, and scope for densification, is limited in every area – land across the country has to be used evenly and appropriately to the full.

- 3.13. In order to meet ever-increasing targets, either unacceptable densification or development at unsustainable locations away from public transport and outside the urban areas, will need to be brought forward. No account is taken in these proposals of constraints such as Green Belt: Local Plans are set up by government for failure in this way.
- 3.14. This formula is not sustainable because it puts pressure for delivery in those authorities that have already delivered much housing and are not able to continue absorbing growth at the same high levels, even more so, the much higher levels which the formula generates. In Dartford there is no spare infrastructure capacity. At these rates of growth, infrastructure cannot be delivered fast enough to serve the growing population. This is clearly contrary to Government objectives for infrastructure delivery to be in tandem with housing growth.
- 3.15. It is not future-looking because it is based on historic trends which it is assumed will continue. The changes now taking place as a result of Covid-19 will quite likely result in a fundamental shift as people re-evaluate their choices, and employment and living demands. If implemented, the formula may result in huge densification in London and the south east, potentially resulting in dense high-rise housing with no private outdoor space and of the type that people no longer wish to live in. It is also a missed opportunity in the North and Midlands to address the government's 'levelling-up' agenda.
- 3.16. The proposed response, as set out in Appendix B (Q2), instead puts forward a clear alternative: the standard method should be based simply on 1.25% of the existing housing stock figure. Nationally, this would: deliver more housing than is currently occurring and would exceed the government's target of 300,000 homes per annum; achieve levelling up in different parts of the country; and result in a deliverable and achievable target for all authorities, allowing for more sustainable growth across the country. This would result in a requirement of 591 dwellings per annum in Dartford Borough.

Delivering First Homes

- 3.17. The Government consulted on its First Homes proposals in February 2020. There are strong similarities with the previously proposed Starter Homes initiative. First Homes are intended for first time buyers to be sold at a discount of at least 30% below market value and with a price cap of £250,000 outside London. Local planning authorities can introduce local connections tests (which will apply for up to 3 months of

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the dwellings going on sale) where there is evidence of the necessity and viability of these. First Homes will be subject to covenants to ensure that the discounts are passed onto future purchases of the properties.

- 3.18. As part of the current consultation on proposed changes to the planning system, the Government is now proposing that a minimum of 25% of all affordable housing should be First Homes, delivered through section 106 planning obligations. These will be expected to be delivered onsite unless offsite provision or a financial contribution in lieu can be justified. It puts forward options for the delivery of these. The responses to questions 8-16 in Appendix B are relevant.
- 3.19. The key point is that the Council would not object to First Homes replacing some of the provision of other types of affordable home ownership tenures such as shared ownership dwellings, as a mix of affordable tenures is sought to meet Dartford's overall needs. For developments that cannot provide affordable housing fully in line with policy aims, the proposed response emphasises that in these instances First Homes may need be foregone to meet local priorities within the mix of affordable housing that is to be delivered. Given that from the latest local evidence on the requirements of the Borough's population there is an identified need for more affordable rented homes than other types of affordable housing, the Council would not want First Homes to replace the provision of affordable rented housing.

Supporting small and medium-sized developers

- 3.20. Currently, national policy includes a threshold of 10 units or 0.5ha before affordable housing is required to be delivered. The Dartford Core Strategy uses a threshold of 15 units or 0.5ha for the provision of affordable housing in the urban area.
- 3.21. To support small and medium-sized businesses (SMEs) in the medium term during economic recovery from Covid-19, the Government is proposing to raise the threshold to 40 or 50 homes before sites are required to provide affordable homes on planning applications submitted for an initial period of 18 months, to be monitored and reviewed.
- 3.22. The proposed responses to questions 17-23 in Appendix B are relevant. There are concerns that the proposal would adversely impact on the Council's ability to deliver affordable housing in Dartford, a Borough where there is a lack of affordable housing for local people. Where the provision of affordable housing could impact on the delivery of development, viability testing already takes place and the outcomes have an impact on the type and amount of affordable housing that is provided. Furthermore, we are concerned that this could become a permanent change to planning policy, with consequent impacts on the provision of affordable dwellings in Dartford. In addition, there is no clarity that this would support recovery as such developments, if only now starting the planning process, are not likely to be ready for construction on site for a couple of years. There is a real risk that developers will rush to submit poorly prepared planning applications in

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order to benefit from this relaxation of policy and then bank the planning permission.

Extension of the permission in principle consent regime

- 3.23. Permission in principle is a recently introduced alternative way developers can gain consent for their development proposal. It is currently restricted, mostly to small developments of less than ten homes. No developments have been implemented via this method in Dartford yet.
- 3.24. Permission in Principle is designed to speed up and simplify decision making on in principle issues for housing-led development (at least as much as an outline planning application is meant to). 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. The in principle application separates addressing (only) basic land use, location, and scale of development (first stage) from dealing later with matters of technical detail, such as the design of buildings, tenure mix, transport and environmental matters (second stage consent). A grant of permission in principle plus a grant of technical details consent together is intended to equate to full planning permission. Such applications are required to be determined in 5 weeks.
- 3.25. The Government is proposing to extend permission in principle to allow developers to apply for major housing-led development (which can also include commercial development) which does not require Environmental Impact Assessment or Habitats Regulations Assessment. No details need to be provided with the application other than a red line and the indicative number of dwellings. It is proposed to retain the existing 5 week determination period and the 14 day period for consultation with the public and statutory consultees but it seeks views on information requirements, publicity arrangements, fees and guidance. The Council's proposed concerns are set out in the answers to questions 24 to 34.
- 3.26. The consultation suggests that developers could use the permission in principle regime to gain in principle permission for redevelopment of town centre sites. The Council has to issue a decision setting out minimum and maximum dwellings numbers. However, with no details of layout, height or information on constraints it would be very difficult for planning officers to determine accurately the maximum number of dwellings that could be provided on site in a manner that provides good quality accommodation and does not impact on neighbouring occupiers. This could lead to developments which are granted permission in principle where there will then be pressure to allow higher buildings than may otherwise be appropriate under the second stage technical details consent.
4. Relationship to the Corporate Plan
 - 4.1 The Council's Corporate Plan includes a number of relevant strategic aims:

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- To ensure that regeneration in Dartford is sustainable and of benefit to all of our communities
- To facilitate quality, choice and diversity in the housing market, assist in meeting housing need in Dartford and deliver high quality services to service users
- To create strong and self-reliant communities

5. Financial, legal, staffing and other implications and risk assessments

Financial Implications	The changes to the affordable housing thresholds and developments for which permission in principle could be applied for could result in a reduction in developer contributions for affordable housing. The extension of permissions in principle could result in a reduction in fees from planning applications.
Legal Implications	No implications of responding to the consultation.
Staffing Implications	No implications of responding to the consultation.
Administrative Implications	No implications of responding to the consultation.
Risk Assessment	No further uncertainties and/or constraints

6. Details of Exempt Information Category

Not applicable

7. Appendices

Appendix A – Changes to the current planning system, MHCLG August 2020

Appendix B – Proposed Responses to Consultation Questions

BACKGROUND PAPERS

<u>Documents consulted</u>	<u>Report Author</u>	<u>Section and Directorate</u>	<u>Exempt Information Category</u>
• Changes to the current planning system, MHCLG August 2020	Andrea Wright (01322) 343060	Planning Policy, Regeneration	N/A