

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO PLANNING AND DEVELOPMENT COMMITTEE

Agenda Item No. 5

meeting date: WEDNESDAY, 30 SEPTEMBER 2020
title: CONSULTATION ON CHANGES TO THE CURRENT PLANNING SYSTEM
– PLANNING POLICY AND REGULATIONS (AUGUST 2020)
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1 PURPOSE

- 1.1 To inform members of the Government's current consultation document 'Changes to the current planning system – Consultation on changes to planning policy and regulations (August 2020).
- 1.2 To inform members of the key points and objectives of the above consultation document and outline the Authorities response to a number of key questions.
- 1.4 Relevance to the Council's ambitions and priorities:
- Community Objectives – To deliver a coordinated approach to planning through up to date planning policies and to meet the housing needs of all sections of the community.
 - Corporate Priorities – To protect and enhance the existing environmental quality of the area and to match the supply of homes in our area with the identified housing needs.
 - Other Considerations – None identified.

2 BACKGROUND

- 2.1 The Government's proposals for significant reform of the planning system have been published for consultation (dated 6 August 2020). The proposals put forward in the White Paper: Planning for the Future is set out within a separate committee report on this meeting's agenda.
- 2.2 The consultation which forms the basis of this report is entitled 'Changes to the current planning system' and is a parallel consultation to the White Paper: Planning for the Future. The consultation document, details of which are outlined within this report, can be viewed via the following link:
- https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907215/200805_Changes_to_the_current_planning_system_FINAL_version.pdf
- 2.3 The shorter-term changes proposed as part of this consultation document are summarised below:
- **The standard method for assessing housing for local plans:** Proposals to revise the standard method to increase the overall number of homes being planned for and achieve a more appropriate distribution.

- **Delivering First Homes:** This includes setting a requirement that 25% of all affordable housing secured through developer contributions should be First Homes. Views are sought on options for the remaining 75% of affordable housing secured through developer contributions, transitional arrangements, level of discount and how they would be delivered through exception sites.
- **Section 106 and Small Sites:** Proposals to temporarily raise the threshold for the provision of affordable housing within development, to up to 40 or 50 units for an 18-month period. In designated rural areas, the consultation proposes to maintain the current threshold. It also seeks views on whether there are any other barriers to SMEs (small and medium-sized builders) to access and progress sites.
- **Permission in Principle:** Proposals to increase the threshold for Permission in Principle by application, to cover sites suitable for major housing-led development, rather than being restricted to just minor housing development.

The consultation period for the above proposals closes on the 1 October 2020.

2.4 Thirty-five questions, covering a range of options for the above proposals are included within the lengthy consultation document.

2.5 The scope of this report aims to focus upon what are considered to be the following key aspects of significance from the above proposals:

- The proposed revision to the standard method.
- The delivery of First Homes and affordable housing provision.

A summary of the proposed response to key questions is set out at Appendix 1.

3 ISSUES

Changes to the Standard Method for assessing local housing need

Background

3.1 The consultation proposes a revised standard method for calculating local housing need which will be used as the basis for plan-making in the short-term, and prior to, any changes outlined in the White Paper: Planning for the Future.

3.2 The Government's aspirations are to create a housing market that is capable of delivering 300,000 homes annually and one million homes over this Parliament. The standard method identifies the minimum number of homes that a local authority should plan for in an area.

3.3 The Government intends to make improvements on the standard method calculation in order to ensure that it is more agile in using up-to-date data, and amongst other things, to be consistent with the Government's ambition for a housing market that supports 300,000 homes annually. The changes aim to target more homes into areas where they are least affordable

3.4 In order to achieve this, the proposed method aims to secure a suitable overall national number that enables achievement of this aim. A standard requirement would

differ from the current system of local housing need in that it would be binding, and so drive greater land release.

- 3.5 A new element is proposed to be introduced into the standard method, a percentage of existing housing stock levels, which will take into account the number of homes already in the Borough. Household projections are retained as part of the new blended approach which takes account of stock.
- 3.6 The Government also proposes to introduce an affordability adjustment that takes into account changes over time, in addition to the existing approach of considering absolute affordability. The aim is to increase the overall emphasis on affordability in the formula and ensure that the revised standard method is more responsive to changing local circumstances, so that homes are planned for where they are least affordable. Where affordability improves, this will be reflected by lower need for housing being identified.
- 3.7 Full details of the calculation and justification for the proposed data to be used in order to establish the standard method is outlined on pages 12 – 16 of the consultation document.
- 3.8 The new standard method calculation for the Ribble Valley using the formulae as **proposed is 298 dwellings per annum**. This represents an increase of 150 dwellings per annum from the current standard method calculation and an increase of 18 dwellings above the current Core Strategy requirement of 280 dwellings per annum. A full breakdown of the calculation used to establish the proposed standard method figure can be found at Appendix 2. For comparison the standard method figure for the Ribble Valley using the **current** calculation is **143 dwellings per annum** as a starting point

Consultation Questions Regarding the Standard Method

- 3.9 Seven questions within the consultation paper focus upon the revised standard method (pages 14 – 17). The questions are centred on the specific data used in order to establish a baseline and the inclusion of an affordability adjustment. The key elements are set out below.

- 3.10 Question 1:

*'Do you agree that planning practice guidance should be amended to specify that the appropriate baseline for the standard method is **whichever** is the higher of the level of 0.5% of housing stock in each local authority area OR the latest household projections averaged over a 10-year period?'*

- Question 2:

'In the stock element of the baseline, do you agree that 0.5% of existing stock for the standard method is appropriate? If not, please explain why.'

- 3.11 The baseline figure for the Authority using the calculation of 0.5% of housing stock is 137. The latest household projections averaged over a 10-year period is 253 (refer to Appendix 1 for full calculation)
- 3.12 The household projections figure (253) is higher as this takes an average of future growth trends in the Borough by linking housing growth to the population. Over the

past five years in particular, there has been a marked increase in housing growth in the Borough.

- 3.13 In the case of the Ribble Valley, it is likely that taking an average of future household projections over the next 10 years will result in a higher figure. Taking a percentage of existing housing stock (0.5%) and using this as a baseline, rather than using the second equation (ie taking an average of projected housing growth) in the Authorities opinion is the preferred option.
- 3.14 Although mindful of the Governments ambitions in delivering housing growth to address affordability, using a percentage (0.5%) of existing housing stock is considered to be a fairer approach in establishing the baseline figure for the standard method.
- 3.15 In a rural district such as the Ribble Valley, it allows for housing growth (as per the Governments aim) but at a managed rate per year, which will allow for appropriate infrastructure and services to be accommodated. On this basis, the Authority intends to submit the following response to questions one and two of the consultation document:

QUESTIONS 1 and 2 - PROPOSED RESPONSE

The Authority considers that to establish the baseline figure, the level of 0.5% of housing stock in each local authority should be the only figure used as the baseline as opposed to using whichever is the higher. This will allow authorities to meet Government objectives to deliver housing and also manage the future infrastructure and services required for their area.

3.16 Taking account of affordability in the Standard Method

The Government considers that price signals, in the form of an affordability adjustment, are an integral part of the standard method. Two adjustments to the baseline figure will be made using the workplace-based median house price to median earnings ratio.

- 3.17 The consultation document stipulates that high house prices indicate a relative imbalance between the supply and demand for new homes, making homes less affordable. The affordability of homes is the best evidence that supply is not keeping up with demand.
- 3.18 The current affordability ratio for the Borough is 7.04 (a figure above 4 within a district is evidence of less affordability). Four is the threshold, as four times a person's earnings is the maximum amount that can typically be borrowed for a mortgage¹
- 3.19 Questions 3-5 of the consultation refer specifically to the use of the workplace-based median house price to median earnings ratio within the calculation of the standard method.
- 3.20 The calculation proposed is to ensure that where affordability improves, a proportionately lower need level will be established. However, if an area's affordability worsens, then the housing need identified will be proportionately higher.

¹ Paragraph 36. 'Changes to the current planning system' (MHCLG August 2020)

3.21 It is considered appropriate to include an affordability ratio within the standard method and therefore no particular comments are proposed in respect of questions 3-5 of the consultation paper.

3.22 The Transition Period for the Standard Method

The Government attaches great weight to ensuring that authorities plan-making process has regard to the revised standard method need figure, from the publication date of the revised guidance.

3.23 With regards to the Ribble Valley, the Authority should adequately plan for a higher level of need as a result of the proposed changes as outlined above, and which are likely to form part of planning legislation in the New Year. It should be noted that whilst revisions to the methodology are referenced in the parallel white paper, following the consultation on this set of proposals changes to national policy could be more readily introduced. The council will then need to apply the new methodology.

4. Delivering First Homes

4.1 The Government has expressed that it is committed to supporting people to make the dream of home ownership a reality. However young people in particular can struggle to buy a home in the area where they grew up. Therefore, the government wants to support first-time buyers to buy a home in their local area by making them affordable.

4.2 The Government consulted on its First Homes proposals in February 2020 and published a response to this consultation ² and is now seeking views on the detail of the proposed changes to the current planning system.

4.3 In order to support the above initiative the Government intends to set out in policy that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. This will be a national threshold, set out in planning policy. Initially these affordable housing units will be secured through section 106 planning obligations but, under proposed reforms (the White Paper), these would be secured through the Infrastructure Levy³.

4.4 The minimum discount for First Homes should 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%. This would need to be evidenced in the local plan making process.

4.5 The Government proposes two options to secure First Homes and deliver affordable housing which provides a suitable housing mix and tenure on the remaining 75% of affordable housing secured through developer contributions:

² First Homes: Getting you on the ladder – Summary of responses to the consultation and the Government's response – https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907214/200728_PUBLICATION_Govt_response_FH_condoc_v4.pdf

³ Refer to Pillar Three of consultation paper *Planning for the Future* for further info.

Option 1: Where a local authority has a policy on affordable housing tenure mix (as in the case of the Ribble Valley Core Strategy) that policy should be followed, but with First Homes delivering a minimum of 25% of the affordable housing products. First Homes should replace as a priority other affordable home-ownership products, as defined in the National Planning Policy Framework, prioritising the replacement of those tenures which secure the smallest discount from market price.

Option 2: A local authority and developer can negotiate the tenure mix for the remaining 75% of units.

- 4.6 To safeguard the appropriate affordable housing mix, type and tenure on a development site it is considered that negotiating the tenure for the remaining 75% with developers may result in lengthy discussions and delay. Furthermore, this may result in a wide variation of schemes within the Borough.
- 4.7 To ensure stability and some certainty of what is expected from developers when securing affordable housing options Option 1 is viewed as preferable. This will be outlined within the Authority's response to the consultation.
- 4.8 Lastly, sites or proposed developments such as those that provide solely for Build to Rent homes are exempt from requirements to deliver affordable home ownership products (as per Para. 64 of the NPPF). The Government is considering applying the same exemptions for First Homes and specific questions (Q. 9-11.) refer to this proposal.
- 4.9 No particular comments are proposed to in response to questions (Q. 9-11) relating to proposed exemptions for First Homes.

The Transition Period for First Homes

- 4.10 The Government recognises that local authorities such as ours may need to review the tenure mix for the remainder of the affordable housing that they are seeking to secure. They advise that where local authorities choose to update their tenure mix to reflect the above First Homes policy, they can do this through a local plan review.
- 4.11 Question twelve of the consultation asks whether the Authority agrees with the above transitional arrangement. As the Authority is not due to submit a local plan or a Neighbourhood Plan for examination within the next 6 months the provisions will not be applicable.
- 4.12 The Government states that the minimum discount for First Homes should 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%. This would need to be evidenced in the local plan making process.
- 4.13 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.
- 4.14 Question thirteen of the consultation document asks whether the Authority agrees with the different levels of discount. Securing affordable homes and the opportunity for the Authority to increase the level of contribution within the Borough should be supported. On this basis, it is suggested that the proposed approach to different levels of discount is agreed.

Exception sites and Rural Exception Sites

- 4.15 The Government intends to introduce a First Homes exception sites policy, to replace the existing entry-level exception sites policy. Currently exception sites are sites that offer one or more types of affordable housing which is suitable for first-time buyers (or those looking to rent their first home). These sites are brought forward outside the local plan to deliver affordable housing. The amended policy will specify that the affordable homes delivered should be First Homes for local, first-time buyers.
- 4.16 There will be the flexibility in the policy to allow a small proportion of other affordable homes to be delivered on these sites where there is significant identified local need as well as a small proportion of market homes where this would be necessary to ensure the viability of the site overall. This policy will not apply in designated rural areas⁴, where delivery will be through the rural exception sites policy.
- 4.17 The government also intends to remove the National Planning Policy Framework threshold on site size that currently applies for entry-level exception sites in footnote 33, but retain the requirement that First Homes exception sites should be proportionate in size to the existing settlement.
- 4.18 The consultation document outlines three Questions in relation to the above:

Question 14: Do you agree with the approach of allowing a small proportion of market housing on First Homes exception sites, in order to ensure site viability?

Question 15: Do you agree with the removal of the site size threshold set out in the National Planning Policy Framework?

Question 16: Do you agree that the First Homes exception sites policy should not apply in designated rural areas?

- 4.19 As previously stated within this report the Authority supports the Governments approach in prioritising First Homes within the Borough. However there is some concern that allowing a small proportion of market housing on First Homes exception sites (without clear parameters) and removing the site size threshold will result in disproportionate development within the Borough. On this basis, the following response is recommended to Questions 14., 15. & 16:

'Whilst the Authority is supportive of the principle of the First Homes exception sites policy, there is concern that allowing a small proportion of market housing on these sites and removing the size threshold will result in some ambiguity as to what is acceptable development in such circumstances. On this basis, the Authority would request that the First Homes exceptions sites policy is supported with some form of size parameters and/or stipulation that proposals must be supported with a viability assessment and reaffirm that such need is evidenced in order for a local authority to manage development within their area, and in particular the rural districts.'

⁴ The following link lists the designated rural areas within the borough
<https://www.local.gov.uk/sites/default/files/documents/rural-designated-areas-735.pdf>

Affordable Housing Thresholds and Incentives for SME's to Deliver

4.20 A key concern for the government is the impact that affordable housing requirements together with meeting contributions required through section 106 agreements has been shown to have as an impact on the ability of some SME's to delivery housing. The proposed changes to lift site thresholds is intended, for a temporary period to lessen the burden on SME. The proposal is to set a threshold of 40 or 50 units after which affordable housing would be required.

4.21 The proposal does recognise that in designated rural areas (in Ribble Valley this would include areas within the AONB, the current thresholds of five units would remain. However as members are aware delivery of affordable housing is a key element of new housing development s and is one of the main tools by which the council is seeking to address affordable housing. Lifting the threshold as suggested would therefore have a significant impact on the ability to apply this mechanism for delivery of affordable housing.

4.22 In relation to the above the consultation ask the following relevant questions
Question 17: Do you agree with the proposed approach to raise the small sites threshold for a time-limited period?

Question18: What is the appropriate level of small sites threshold?

- i. Up to 40
- ii. Up to 50
- iii. Other (please specify)

Question 19: Do you agree with the proposed threshold size?

Question 20: Do you agree with linking the time-limited period to economic recovery and raising the threshold far an initial period of 18 months

Question 21: Do you agree with the proposed approach to minimising threshold effects?

Question 22: do you agree with the Government's proposed approach to setting thresholds in the rural areas.

Question 23 Are there other ways in which the government can support SME builders to deliver new homes during the economic recovery period?

4.23 As discussed there are fundamental concerns to applying such a lift in thresholds for an area like Ribble Valley and the proposal cannot be supported. Thresholds which have been locally derived, and tested through Examination should remain. In the event that thresholds are changed, the proposal to maintain in designated Rural Areas the existing thresholds is supported. If there are concerns regarding the need to support SME builders, this is an issue for wider government interventions rather than a change to planning policy to reduce obligations and potentially result in development that does not bring with it benefits of affordable dwellings, necessary infrastructure with the risk of being less sustainable. This will form the basis of the proposed response to these questions.

5 RISK ASSESSMENT

4.1 The approval of this report may have the following implications:

- Resources – There are no immediate resource implications as a result of the consideration of this report.
- Technical, Environmental and Legal – Responses to the consultation have to be made by 1 October 2020.
- Political – There is significant interest in planning policy issues.
- Reputation – The report helps demonstrates that the council takes opportunities to contribute to policy formulation.
- Equality & Diversity – No issues identified.

5 **RECOMMEND THAT COMMITTEE**

- 5.1 Endorse the consultation response as set out in Appendix 1 to this report and instruct the Director of Economic Development and Planning to submit the comments to the Government's consultation.

RACHEL HORTON
SENIOR PLANNING OFFICER

BACKGROUND PAPERS

NICOLA HOPKINS
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For further information please ask for Rachel Horton, extension 3200.

APPENDIX 1

Summary of proposed responses to consultation questions

Questions 1 and 2:	<i>The Authority considers that to establish the baseline figure, the level of 0.5% of housing stock in each local authority should be the only figure used as the baseline as opposed to using whichever is the higher. This will allow authorities to meet Government objectives to deliver housing and also manage the future infrastructure and services required for their area</i>
Questions 3-5	No particular comments are proposed
Questions 9-11	No particular comments are proposed
Question 12	Response not relevant to RV
Question 13	Agree the proposed levels of discount
Questions 14,15, & 16	<i>'Whilst the Authority is supportive of the principle of the First Homes exception sites policy, there is concern that allowing a small proportion of market housing on these sites and removing the size threshold will result in some ambiguity as to what is acceptable development in such circumstances. On this basis, the Authority would request that the First Homes exceptions sites policy is supported with some form of size parameters and/or stipulation that proposals must be supported with a viability assessment and reaffirm that such need is evidenced in order for a local authority to manage development within their area, and in particular the rural districts'.</i>
Question 17	No.
Question 18	Not relevant. Change to thresholds not supported.
Question 19	No.
Question 20	No.
Question 21	No comment.
Question 22	Yes if thresholds are to be lifted.
Question 23	If there are concerns regarding the need to support SME builders, this is an issue for wider government interventions rather than a change to planning policy to reduce obligations and potentially result in development that does not bring with it benefits of affordable dwellings, necessary infrastructure with the risk of being less sustainable.

<p>Response to Preferred Option for affordable housing: Support Option 1.</p>	<p>Option 1: Where a local authority has a policy on affordable housing tenure mix (<i>as in the case of the Ribble Valley Core Strategy</i>) that policy should be followed, but with First Homes delivering a minimum of 25% of the affordable housing products. First Homes should replace as a priority, other affordable home-ownership products, as defined in the National Planning Policy Framework, prioritising the replacement of those tenures which secure the smallest discount from market price</p>
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APPENDIX 2

Proposed Standard Method Calculation:

Setting the baseline

Which is the higher of:

- 0.5% of existing housing stock (27,357 at 2019, as per published live tables) = 136.785 (137) OR
- The latest projected average annual household growth over a 10-year period (2020-2030) 2020 26,653 to 2030 29,186. Difference of 2533 which over 10 yrs is **253** dwellings (253.3 to be exact).

253 is the higher of the above two figures. Thus **the figure of 253 is the baseline.**

For information – Using the 2020 existing housing stock figure as per our last HFR return to DELTA (27,916) the figure is 139.58. This is still lower than the average annual household growth above for the Ribble Valley. So the baseline figure of 253 remains the same.

STEP 2

Adjusting for Market Signals

- Affordability Ratio (median, workplace) as at 2019 = 7.04

Adjustment Factor

$$= [((\text{Local affordability ratio } t=0 - 4/4) \times 0.25) + ((\text{Local affordability ratio } t=0 - \text{Local affordability ratio } t=-10) \times 0.25)] + 1$$

Where $t = 0$ is current year and $t = -10$ is 10 years back.

$$(7.04 - 4/4) = 0.76$$
$$0.76 \times 0.25 = 0.19$$

$$7.04 (2019) - 7.09 (2009) = -0.05$$
$$-0.05 \times 0.25 = -0.0125$$

$$0.19 + 0.0125 + 1 = 1.18 \text{ (1.1775 to be exact)}$$

Final Figure - **253 X 1.18 = 298** (298.54 to be exact)