

**Rural analysis of consultation: Changes to the Existing Planning System (accompanies the Planning White Paper)**

[www.gov.uk/government/consultations/changes-to-the-current-planning-system](http://www.gov.uk/government/consultations/changes-to-the-current-planning-system)

This consultation sets out three measures that would come into operation under the current planning system, before the more radical overhaul of the planning system set out in the PWP.

1. Change to the standard methodology for calculating housing need -this is the overall housing figure that sets the baseline for the 5 year land supply and Housing Delivery Target.
2. Delivering First Homes – introducing a mandatory new affordable housing tenure that will comprise 25% of all development and replace other forms of affordable sale housing.
3. Replace Entry Level Exception Sites with First Homes Exception Sites, except in designated rural areas – (MHCLG has confirmed these are areas designated under S157 of the 1985 Housing Act. These only cover approx. 30% of parishes of 3k or fewer population)
4. Proposal to raise the threshold that will trigger affordable housing contributions to 40 -50 dwellings until the economy recovers from Covid-19 with a rural exemption in line with current policy.
5. Extension of the Permission in Principle (PiP) consent regime to major development (sites of more than 10 dwellings) – including greenfield sites

Headline proposal	Key elements of proposal	Rural implications
Amendment to the Standard Housing Needs Assessment methodology	<p>Methodology will now have 4 components:</p> <ul style="list-style-type: none"> <li>Population projections</li> <li>Current housing stock</li> <li>Current affordability ratio based on median workbased income and house prices</li> <li>Changes in median affordability ratio over 10 years</li> </ul> <p>There will no longer be a cap on the increase in housing numbers that arise from the assessment</p> <p>There will be a short transition period for Las that have plans close or in the second stage of</p>	<p>The consultation notes that the review will result in 76% of local housing need being focused in urban areas (settlements &gt;10K population).</p> <p>It is likely it will also lead to higher numbers in rural areas that currently and historically have experienced affordability issues – but this will be suppressed to a degree by lower levels of existing housing stock.</p> <p>It may still leave some sparsely populated areas with ageing populations with very low housing number requirements.</p>

	consultation (Regulation 19) for them to amend their numbers and land supply	However, the number is a minimum so LPAs can choose a higher number.
<p>First Homes</p> <p>The information and analysis here also draws on the Government's response to the First Homes consultation<sup>1</sup></p>	<p>National policy will make it a requirement that a minimum of 25% of affordable homes secured through developer contributions will be in the form of First Homes. In addition, Entry Level Exception sites will be replaced with First Homes Exception Sites.</p> <p>The minimum discount will be 30% - valuation based on unrestricted market value. LAs will have discretion to increase discount to 40%-50%.</p> <p>In future this will apply to affordable homes secured by the new Infrastructure levy. The expectation is these will be delivered on-site.</p> <p>Local plan policies will need to set out the value that will be captured for affordable housing, which will then be allocated across different affordable housing tenures.</p> <p>Two options are set out: 1. Where an affordable housing policy exists, First Homes should replace other affordable home ownership products – then prioritising those tenures</p>	<p>The principles that will define first homes are generally helpful and very close to some forms of discounted market housing secured in perpetuity that some rural LAs already use. However, some of the detailed requirements will be problematic.</p> <p>The overwhelming need in rural areas is for affordable rented housing. Requiring 25% of affordable housing contributions to be First Homes will squeeze out affordable rented housing.</p> <p>Government's preferred option for tenure mix of remaining 75% will squeeze even further the ability to meet need for affordable rented housing.</p> <p>Given the high house prices and low locally earned incomes the national price and income caps will make First Homes unaffordable to many rural residents. Helpfully there is the opportunity to reduce the discount and apply lower price caps as long as there is evidence of the necessity and viability of these arrangements.</p> <p>The 3 month period before restrictions on local connection and discounted price can be applied is similar to that which applies in current local connection cascades for rural exception sites.</p>

1

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/907214/200728\\_PUBLICATION\\_Govt\\_response\\_FH\\_condoc\\_v4.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907214/200728_PUBLICATION_Govt_response_FH_condoc_v4.pdf)

	<p>that secure the smallest discount from market price. This is the preferred Government option.</p> <p>2. LA can negotiate the tenure mix of the remaining 75% contribution.</p> <p>Build to Rent schemes will be exempt from First Homes requirement.</p> <p>First Homes will be exempt from CIL.</p> <p>Still to determine how First Homes will work under new Infrastructure Levy proposals.</p> <p>Local Plans and Neighbourhood Plans submitted for Examination with in 6 months of this policy being enacted will not have to meet First Homes requirements.</p> <p>The Government's response to the First Homes consultation makes the following further provisions:</p> <p>LPAs can set specific local connection restrictions as long as they are able to evidence the necessity and viability of these restrictions. These will apply for 3 months at the point of the First Home going on the market.. Thereafter the properties will be available for people across England.</p> <p>There will be two price caps: £420K in London and £250k in the rest of England. However, LPAs will be able to set a lower price cap for the first 3 months that a First Homes is marketed – where the need for this is evidenced.</p>	<p>The model covenant to secure the restrictions in perpetuity is welcome.</p> <p>The arrangements to secure mortgage lending where these restrictions apply is something that rural interests have called for over many years, so are welcome. Although some of the National Parks may not like the waivers that can be triggered if there is a need to repossess a home.</p> <p>The lack of consideration of how the Infrastructure Levy be applied to this policy is of concern.</p> <p>Housing associations may prefer First Homes because it could raise greater income than Shared Ownership housing. Countering this, in high value areas, income to Has may be lower but the homes more affordable than shared ownership.</p> <p>It is likely that if First Homes are to be affordable and/or a scheme is viable there will be a need for subsidy. Provision is made for cross-subsidy from market homes. In some areas viability could tip the mix of the scheme to a high % of market homes, or make it difficult to make a case for departing from the national price and income caps.</p> <p>It will be interesting to see if grant funding is available for First Homes when the AHP is announced. In some areas it will be needed to increase the discount, but there is nothing at the moment to stop the grant simply inflating land values.</p>
--	--	--

	<p>Two incomes will be applied: £90k in London and £80k across the rest of England. LPAs will be able to set lower income caps for the first 3 months that a First Home is marketed.</p> <p>First Homes 'should as a rule' be sold to First Time Buyers and should be the residents only home.</p> <p>Where the scheme is over-subscribed LPAs will take into account income, not also savings and assets.</p> <p>Perpetuity will be secured by a model covenant requiring the First Homes restrictions to apply to future sales.</p> <p>Government will take steps to ensure there is a supply of mortgages by creating a model agreement for to provide certainty to mortgage lenders with a mortgage protection clause and waiver on the discount in certain circumstances if a First Home is re-possessed.</p> <p>The consultation states that Government is currently piloting First Homes with funding from the AHP – which indicates they are eligible for grant.</p>	
Exception Sites	First Home Exception sites will be replaced with First Homes Exception Sites.	MHCLG has confirmed that the definition of designated rural areas are those areas designated under S157 of the 1985 Housing Act.

	<p>There will be flexibility to allow a <b>small proportion</b> of other affordable homes to be built where there is significant identified local need.</p> <p>A small proportion of market housing will also be allowed where this will ensure viability of the site overall.</p> <p>The policy will not apply in designated rural areas where delivery will be through the rural exception sites policy.</p>	<p>Approximately 70% of parishes of 3k or less population are not covered by this designation. Given that First Homes command a higher land value it is likely that the supply of rural exception sites will fall.</p>
Affordable housing thresholds	<p>The site threshold that will trigger affordable housing contributions will be raised to 40 dwellings until the economy recovers from Covid-19. This will include no necessity to provide First Homes on these sites. Designated rural areas will be exempt from this provision – where LPAs can still set a threshold of 5 dwellings or fewer.</p>	<p>As above</p> <p>This change would mean that in approximately 70% of parishes of less than 3k population no affordable housing contributions would be required on sites of fewer than 40-50 dwellings. Given that most development sites in rural areas are less than 10 dwellings this would mean that no affordable housing would be delivered in these communities.</p> <p>The combination of the First Homes Exception Sites and the change to threshold could be catastrophic to the delivery of rural affordable housing.</p> <p>Contrary to the aim to support SME builders the proposals could make it harder for them to operate in rural areas. During the 2008 recession the guaranteed sales to housing associations for the affordable housing supported cash-flow, meant development could continue and contractors kept employed. It is also the case that a requirement to provide on-site affordable housing reduces the land cost making it more likely that SME builders can compete to buy these sites.</p>

<p>Extension of the Permission in Principle consent regime</p>	<p>Permission in Principle (PIP) was introduced in 2017 for sites on the brownfield register and then extended in 2018 to small developments of less than 10 dwellings. The majority of development on these sites has to be housing, but with a capped provision for retail and commercial uses that is compatible with residential use.</p> <p>It is a 2 stage process. Stage one establishes whether the site is suitable for development. Stage 2 technical details, e.g design, tenure mix, transport and environmental matters are assessed and conditions can be attached.</p> <p>The Government is proposing to extend PIP to major development sites (ie sites of more than 10 dwellings) that are not subject to requirement for an Environmental Impact Assessment or covered by Habitat regulations. It is proposed not to set a cap on commercial development, but the development should still be housing led.</p> <p>The existing PiP arrangements for consultation and decision making will apply: 5 week determination period and 14 day period for consultation with the public and statutory bodies.</p> <p>It is also proposing a reduced fee structure for PiP sites</p>	<p>These provisions are likely to mean that more greenfield sites will come forward under PiP and with that more limited opportunities to influence the development. However, it may bring more sites forward if landowners/developers are faced with lower costs to gain planning permission.</p> <p>Outside designated rural areas on sites of 40 -50 dwsellings these sites will not have to provide affordable housing.</p>
--	---	---