



Ministry of Housing,
Communities &
Local Government

Annex 2

Changes to the current planning system

Consultation on changes to planning policy and regulations

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The standard method for assessing housing numbers in strategic plans

Step 1 – Setting the baseline – providing stability and certainty by incorporating a blend of household projections and stock

Q1: 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?*

Whilst we understand the principle of what Government is seeking to achieve in proposing changes to the standard method, the approach still represents a top down mathematical exercise in calculating housing need. City of York Council support an approach to calculating housing need that ensures that each authority contribute to providing the much needed housing across the country, and it is agreed that introducing a new baseline approach to the standard method of which is the higher of the level of 0.5% of housing stock or the latest household projections would have this effect. However, it is difficult to have a one size fits all approach. We are not clear on how local vision for place making fits into the standard method, in particular, we query how the standard method allows for those authorities, such as York, where through our Local Plan vision we are seeking to realise the city's growth ambitions, contributing to a vibrant economy.

Q2: 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.

It is unclear how the figure of 0.5% has been arrived at, other than it being 'a basic level' of increase. We welcome the statement at paragraph 26 that the figure of 0.5% represents a basic level of increase in all areas without putting a disproportionate emphasis on existing stock levels. Albeit there is no evidence presents that this is the case.

Step 2 Adjusting for market signals – maintaining price signals using the current affordability ratio and the change in affordability over the last 10 years

Q3: Do you agree that using the workplace-based median house price to median earnings ratio from the most recent year for which data is available to adjust the standard method's baseline is appropriate? If not, please explain why.

Q4: Do you agree that incorporating an adjustment for the change of affordability over 10 years is a positive way to look at whether affordability has improved? If not, please explain why.

Q3: Yes, this seems an appropriate income measure for affordability

Q4: The change of the past 10 years may be considered relevant although it could be

argued that the absolute level of affordability is more important in this context

Q5: Based on the information provided it is difficult to assess this, could an interactive tool be provided in spreadsheet format or similar in order to provide a better informed opinion on the impact of this weighting on the standard assessment calculation output

City of York Council welcome the proposals to incorporate an adjustment of affordability over 10 years as a way to look at whether affordability has improved. This recognises the importance of taking a trend based approach rather than just looking at the current picture. In doing so, it is considered that this allows for a more accurate picture of affordable housing provision to be taken into account in the standard method calculation for an area. We welcome that taking trend based approach allows for different pressures to be put on authorities depending on their affordability ratio, taking the pressure off authorities when their ratio has increased over 10 years, and allowing authorities whose ratio has improved to benefit from reductions in their affordability adjustment. This appears to be a fair approach and will help to concentrate need in areas of poor affordability, providing much needed housing.

Q5: Do you agree that affordability is given an appropriate weighting within the standard method? If not, please explain why.

The greater overall emphasis on affordability than in the current standard method is welcomed by City of York Council. We are in agreement with the proposed inclusion of an uplift based on the change in the affordability ratio over the last 10 years. We agree that the affordability of homes is a key signal that supply is not keeping up with demand and that it is important for areas with poor affordability to boost supply, subject of course to local circumstances and constraints in protecting what makes a place special.

Transition

Do you agree that authorities should be planning having regard to their revised standard method need figure, from the publication date of the revised guidance, with the exception of:

Q6: Authorities which are already at the second stage of the strategic plan consultation process (Regulation 19), which should be given 6 months to submit their plan to the Planning Inspectorate for examination?

Q7: Authorities close to publishing their second stage consultation (Regulation 19), which should be given 3 months from the publication date of the revised guidance to publish their Regulation 19 plan, and a further 6 months to submit their plan to the Planning Inspectorate?

If not, please explain why. Are there particular circumstances which need to be catered for?

Although not relevant for York as our plan is currently at examination we support the principle of transitional arrangements for emerging plans that are already significantly

progressed and at an advanced stage of plan making. However, it is noted that the time periods proposed fall short of the previous 12 months for transitional arrangements to allow for the introduction of the 2019 National Planning Policy Framework.

Please see question 35 for any comments relating to the Public Sector Equality Duty and the standard method.

Delivering First Homes

Percentage of affordable housing secured through developer contributions

Q8: The Government is proposing policy compliant planning applications will deliver a minimum of 25% of onsite affordable housing as First Homes, and a minimum of 25% of offsite contributions towards First Homes where appropriate. Which do you think is the most appropriate option for the remaining 75% of affordable housing secured through developer contributions? Please provide reasons and / or evidence for your views (if possible):

- i) Prioritising the replacement of affordable home ownership tenures, and delivering rental tenures in the ratio set out in the local plan policy.**
- ii) Negotiation between a local authority and developer.**
- iii) Other (please specify)**

iii) (nb: this is a comment from Housing) It is important that local authorities have the ability to set requirements for the remaining 75% of on-site delivery based on local evidence. The 25% First Homes would be considered an affordable homes ownership tenure so using the robust local evidence base anything up to the remaining 75% could be required as affordable/social rent, in accordance with the identified needs in the local area.

For example in York 80% of the need has been identified as social rent and 20% for Discount Sale. This would translate into a requirement of 25% First Homes and 75% social rent.

It should be up to local authorities to set relying on the evidence base, rather than in negotiation as point ii). This would adhere to the principle of a rules based system where expectations are clear and in advance, and would avoid confusion for developers and potential weakening of affordable housing policies and consequent under-delivery of the most needed affordable housing types.

Setting a tenure requirement on use of off-site commuted sums would increase administration costs for Local Authorities with an extra layer of bureaucracy required, constricting the ability to develop out sites and support partner Registered Providers in a manner that responds to local development opportunities.

There are other important considerations relating to the future value of the scheme and re-sales:

- There should be some flexibility to revisit discount levels in the case where house price rises outstrip increases in household earnings thus reducing the affordability of a fixed percentage discount. In some market conditions a 30% and even a 50% discount could present significant affordability challenges over the longer term (there are examples in York of schemes with discounts in perpetuity of 11% and 25% from market value agreed some 20 years ago which are now of debatable 'affordability' as market prices have risen steeply during that time. The same principle – and risk – will apply to First Homes without an ability to revisit the original discount). Managing resales and administering eligible occupiers applications would entail significant costs to Local Authorities, if sales are to be effectively targeted at households who could not afford to buy on the open market. These costs could be met through provision as part of section 106 / Infrastructure Levy obligations.

With regards to current exemptions from delivery of affordable home ownership products:

Q9: Should the existing exemptions from the requirement for affordable home ownership products (e.g. for build to rent) also apply to apply to this First Homes requirement?

Yes, on the basis of discussions with applicants for 'build to rent' sites that have been held locally there would be no means of providing First Homes within these.

Q10: Are any existing exemptions not required? If not, please set out which exemptions and why.

Q11: Are any other exemptions needed? If so, please provide reasons and /or evidence for your views.

Q10/11: it is considered that the existing exemptions are appropriate, additionally a clear expectation that local evidence base determines tenure types would support affordable housing delivery.

Local plans and transitional arrangements

Q12: Do you agree with the proposed approach to transitional arrangements set out above?

Although not relevant for York as our plan is currently at examination we support the principle of transitional arrangements to allow authorities who are at an advanced stage of plan preparation to continue without the need to reflect the First Homes policy requirements.

Level of discount

Q13: Do you agree with the proposed approach to different levels of discount?

Yes. In the York context a discount higher than 30% would very likely be needed taking local affordability into account.

Exception sites and rural exception sites

Q14: 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?

Yes, this would be appropriate, it is also important to build in a multi-tenure approach where First Homes are delivered alongside other affordable housing tenures on the basis of local need.

Q15: Do you agree with the removal of the site size threshold set out in the National Planning Policy Framework?

It is preferred that this is retained as a protection against such “exception” sites becoming the norm in some areas, as opposed to a small proportion of site use.

Q16: Do you agree that the First Homes exception sites policy should not apply in designated rural areas?

Please see question 35 for any comments relating to the Public Sector Equality Duty and the delivery of First Homes.

Yes

Supporting small and medium-sized developers

Extending Small sites planning policy - developer contributions and economic recovery

For each of these questions, please provide reasons and / or evidence for your views (if possible):

Q17: Do you agree with the proposed approach to raise the small sites threshold for a time-limited period?

(see question 18 for comments on level of threshold)

No. The impact of the proposals in terms of provision of affordable housing and other necessary local infrastructure including school places linked to new housing development is not outweighed by the Government’s wish to see more sites built out by SMEs. The impact will be greater in those areas where smaller sites provide for a significant proportion of the local authorities new housing provision. The proposal will not provide any guarantee that such sites will not be developed by larger housebuilders.

No. There is no evidence at present of a need for this. Engagement with developers on smaller sites has not identified any delivery issues that would be addressed by a small sites threshold increase. Conversely the negative impact on affordable housing delivery would be significant:

- Around £2.25m affordable housing commuted sums have been agreed in past 5 years on sites sized 40 homes and under, often at full policy contribution level or at the level required after application of the Vacant Building Credit. These commuted sums have enabled affordable housing provision elsewhere in the city including bringing forward the council's own sites for mixed tenure development.
- An increased threshold could lead to a reduction in overall homes built as developers would have a strong incentive to under-utilise sites where this could give a significant saving and/or higher land payment due to providing just below the threshold; for example a site that could accommodate 65 good homes could often be used instead for 39 artificially large plots.
- It would also give applicants an incentive to "sub-divide" larger sites, leading to delays in resolving disputes with applicants over whether the site boundaries are genuine or constituted in order to avoid planning contributions
- Sites of 10 high value homes with no special site-based construction costs may generate far higher land value uplift than a complex brownfield site of 60 lower value homes, a high threshold would award a large windfall payment to owners of greenfield sites securing residential permission
- Much of the benefit would accrue to land owners in the form of inflated land prices, which would leave Registered Providers unable to compete for some sites that they could otherwise have purchased for mixed tenure, affordable-led development – as has been successfully delivered in a number of cases in York in recent years.

Q18: What is the appropriate level of small sites threshold?

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

The existing threshold of 10 homes / 0.5ha enables significant delivery of on and off site affordable housing contributions. Evidence suggests that a substantial number of sites below this threshold are viable to deliver off-site payments with minimal bureaucratic obligation so a threshold around 5 may be most appropriate in the market conditions present in York.

Local Authorities will be able to appraise conditions in their area to set an appropriate threshold level, a "one size fits all" national approach is not necessary and would primarily benefit land owners in higher value areas due to price inflation.

Q19: Do you agree with the proposed approach to the site size threshold?

It is considered that a low threshold combined with alternative forms of support or priority for SME companies could deliver the broadest benefits to the sector as well as local residents in need of affordable housing, by contrast a blunt approach of threshold raising offers returns primarily to land owners in the form of land price inflation.

Q20: Do you agree with linking the time-limited period to economic recovery and raising the threshold for an initial period of 18 months?

If the proposed threshold is introduced it should be for a strictly limited period.

No, a dynamic appraisal approach linking revised affordable housing targets to local economic evidence would be appropriate for achieving this aim.

Q21: Do you agree with the proposed approach to minimising threshold effects?

The existence of such a threshold creates impacts and the responses to minimise them would generate more delay, discretion and potential dispute in the application process, along with a very substantial incentive for land owners and applicants to achieve their desired outcome, where it will not always be possible to apply clear rules covering all circumstances.

We are concerned that even a temporary raising of the affordable housing threshold could result in the loss of much needed affordable housing, although we acknowledge that in current covid circumstances it is incentivising housing development.

Coronavirus has had an impact on the national economy, which is likely to continue for some time. The slowdown in housebuilding locally (can we evidence this?) risks jobs losses, which in turn has a significant impact on housing affordability for those affected.

Planning, land availability and finance are, according to the Federation of Master Builders the largest constraints on activity (ref FMB 2019 House Builders survey). Would the change proposed facilitate rapid recovery, or only as part of a package of other measures?

Yes

Needs supporting evidence.

- Q. *Did we comment on the earlier consultation – need to be consistent.*
- Q. *Can we show what proportion of homes for social rent have been delivered through small sites, compared with overall delivery on all sites. What would we lose as a result of implementing this temporary revision to policy?*
- Q. *Can we show what proportion of development is delivered by SMEs in York? In York, trends show that around xx% of housing delivery comes from SME developed small sites. In the previous 5yrs(?) this has contributed some xx affordable homes to the City, representing xx% of affordable housing negotiated through S106 agreement.*

Affordable housing in rural areas

Q22: Do you agree with the Government's proposed approach to setting thresholds in rural areas?

Yes, this approach would also be successful in higher value areas across the country, beyond designated rural areas.

Supporting SMEs

Q23: Are there any other ways in which the Government can support SME builders to deliver new homes during the economic recovery period?

Please see question 35 for any comments relating to the Public Sector Equality Duty and the small sites proposals.

Extension of the Permission in Principle consent regime

Extending Permission in Principle to cover major development

Q24: Do you agree that the new Permission in Principle should remove the restriction on major development?

No. The procedure is considered to be unsuited to major developments, especially larger scale major developments because of their likely significant impacts which will affect the principle of the development and will not be subject to requirements to submit information to the LPA. Furthermore significant public involvement, statutory and non-statutory consultee input is incompatible with the limited time frame for consideration

Information requirements

Q26: Do you agree with our proposal that information requirements for Permission in Principle by application for major development should broadly remain unchanged? If you disagree, what changes would you suggest and why?

No

Major applications will have impacts, such as transport, heritage or surface water drainage, which can affect the principle of the scheme, notwithstanding the limitations imposed by Schedule 2 development. Currently such impacts can only be dealt with as part of the Technical Details. If the Government proceeds with the draft proposals should be required to submit information as to the key impacts of the scheme.

Q27: Should there be an additional height parameter for Permission in Principle? Please provide comments in support of your views.

No comment

Publicity arrangements

Q28: Do you agree that publicity arrangements for Permission in Principle by application should be extended for large developments? If so, should local planning authorities be:

i) required to publish a notice in a local newspaper? ii) subject to a general requirement to publicise the application or iii) both? iv) disagree

If you disagree, please state your reasons.

Agree

Revised fee structure to incentive Permission in Principle by application

Q29: Do you agree with our proposal for a banded fee structure based on a flat fee per hectare, with a maximum fee cap?

No

Q30: What level of flat fee do you consider appropriate, and why?

The fees should remain as existing, Local Planning Authorities need to be properly resourced to deal with PIP applications within the timescales imposed. The decision on the principle of major development will be a more complex consideration and is likely to elicit responses from consultees and members of the public. The size of the site is rarely an indication of the complexity of the decision making process.

Brownfield Land Registers and Permission in Principle

Q31: Do you agree that any brownfield site that is granted Permission in Principle through the application process should be included in Part 2 of the Brownfield Land Register? If you disagree, please state why.

Brownfield Land Registers are divided into two parts.

1. contains a list of brownfield sites that are considered appropriate for residential development; and

2. consists of sites which have been taken forward from Part 1 of the register and granted automatic Permission in Principle by the local planning authority (following consultation).

The Government is asking whether all Permission in Principle by application “consents” that are on brownfield land should also be automatically recorded in Part 2 of the Brownfield Land Register. This is linked to the publication of a national brownfield map that will show “*all*” brownfield sites that are suitable for housing. Including permission in principle achieved via application in part 2 will ensure they are captured on the map. In the longer term, under the Planning for the Future proposals, as the new local plans are produced, the Government intends to review the role of Brownfield land registers more generally. Agree in principle.

Whilst we agree in principle, redevelopment of brownfield land is not limited to housing development. Para 115 indicates that the national map of brownfield sites will show site suitable for housing. However, it should be acknowledged that the location and context of the site may mean that development of alternative uses to housing may be more suitable. This should not be the sole indicator therefore of available land for housing development.

Additional guidance to support implementation

Q32: What guidance would help support applicants and local planning authorities to make decisions about Permission in Principle? Where possible, please set out any areas of guidance you consider are currently lacking and would assist stakeholders.

From a Local Authority perspective, clarity is required as to the level of detail required to be sufficiently confident that permission in principle can be granted and who is responsible for providing this evidence. Currently, para 117 implies that there may be a shift of emphasis from the developer to the local authority to develop the evidence base to support permission in principle. If this is the case, we would have concerns regarding resources. In addition, this shift may slow down the planning process should developers be reliant on LPAs rather than LPAs reliant on the evidence submitted by developers. Consultation and committee processes will also still be required to ensure locally driven engagement is taken into consideration. The government could develop a toolkit approach to standardise the process and ensure that the key considerations are universally included so that permission in principle is based on a consistent and fair process.

Regulatory Impact Assessment

Q33: What costs and benefits do you envisage the proposed scheme would cause? Where you have identified drawbacks, how might these be overcome?

Q34: To what extent do you consider landowners and developers are likely to use the proposed measure? Please provide evidence where possible.

Public Sector Equality Duty

Q35: In light of the proposals set out in this consultation, are there any direct or indirect impacts in terms of eliminating unlawful discrimination, advancing equality of opportunity and fostering good relations on people who share characteristics protected under the Public Sector Equality Duty?

If so, please specify the proposal and explain the impact. If there is an impact – are there any actions which the department could take to mitigate that impact?