

West Suffolk Joint Growth Steering Group

Forest Heath & St Edmundsbury councils

West Suffolk
working together

Title of Report:	DCLG Consultation: 'Planning for the Right Homes in the Right Places'	
Report No:	JGG/JT/17/006	
Report to and dates:	West Suffolk Joint Growth Steering Group	31 October 2017
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Purpose of report:	The purpose of this report is to provide Members with an update on the key proposals contained in the consultation paper 'Planning for the Right Homes in the Right Places', which was announced as part of the recent Housing White Paper.	
Recommendation:	It is <u>RECOMMENDED</u> that Members: 1. Are requested to note and consider the potential implications of the proposals upon West Suffolk and;	

	2. Are invited to make any comments which will be included in West Suffolk's response to the consultation.
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1. Key Highlights to consider

- A consistent methodology provides certainty for the market and is positive in that sense.
- There is a need to draw much stronger correlations between housing need and economic growth.
- The approach is still over focused on numbers and further mechanisms are needed to put more emphasis on the needs of specific groups and specialist provision.
- The effects of policies such as universal credit on need do not feature
- The inter-relationship with Government funding with the methodology is not clear. This is essential if housing delivery is to be more focused on the needs of all people in our local communities
- It is not clear whether the Strategic Housing Market Areas and Strategic Housing Market Assessments will continue. There are mechanism proposed for cross boundary working however we will need to present a strong case that unique positions such as our need to be reflected.

2. Background

2.1 The Housing White Paper, which was published and consulted on earlier this year, set out four main areas (stated below) where DCLG plans to take action and consult further:

- planning for the right homes in the right places – to make sure that enough land is released, that the best possible use is made of that land, and that local communities have more control over where development goes and what it looks like;
- building homes faster – where communities have planned for new homes, ensuring those plans are delivered to the timescales expected;
- diversifying the market – to address the lack of innovation and competition in the home-building market; and
- helping people now – tackling the impacts of the housing shortage on ordinary households and communities

2.2 The consultation paper 'Planning for the right homes in the right places' is the subject of this report and focuses on making sure that enough land is released, that the best possible use is made of that land, and that local communities have more control over where development goes and what it looks like.

3. Content of the consultation and potential implications for West Suffolk

3.1 The consultation is seeking views on the following broad areas:

Main areas of the consultation	West Suffolk's proposed response
<p>DCLG's proposed approach to a standard method for calculating local housing needs, including transitional arrangements</p>	<p>The Government are proposing to introduce a standard approach for calculating local housing need with the aim of making it simpler, quicker and more transparent. They consider that this would speed up the time taken to prepare Local Plans and give local communities greater control.</p> <p>The approach will be based on three principles:</p> <ul style="list-style-type: none"> a) Being simple and transparent b) Being based on publicly available data, national and locally tested data c) Being realistic – reflecting the actual need for homes and taking account of the affordability of homes locally, where high house prices are seen as an indication of an imbalance between supply and demand for new homes, making them less affordable. <p>The proposed approach will consist of three components:</p> <ul style="list-style-type: none"> 1) A demographic baseline 2) Modification to take account of market trends (local house prices) 3) A cap to limit any increase <p>Government's proposed approach</p> <p>In future the baseline for calculating housing numbers will be based on the ONS annual average household growth projections calculated over the life of the Local Plan (assumed to be a maximum of five years). With the Government proposing that this should be calculated using the annual average household growth over a ten year period for each local authority area.</p> <p>Latest household growth projections:</p> <p>FH 2016-26 - 291 average household growth SEBC 2016-26 - 334 average household growth</p> <p>The projected annual household growth would then be adjusted to take into account local market affordability issues. In areas where house prices are high the projected housing numbers would be increased with reference to the ONS median affordability ratios, which compare median house prices to median earnings.</p> <p>Each 1 per cent increase in the ratio of house prices to earnings above four would result in a quarter of a per</p>

cent increase in need above the ONS current projected household growth figure. The threshold of four is used as this is typically the maximum amount that can be borrowed for a mortgage.

Latest affordability ratios for FH 8.17 and SEBC 9.37

Adjustment factor = $\frac{\text{Local affordability ratio} - 4}{4} \times 0.25$

The overall housing need figure would therefore be calculated using the following formula:

Housing Need = $(1 + \text{adjustment factor}) \times \text{projected housing growth}$

Using the proposed new formula the implications for the Cambridge Housing Sub-Region would be as follows (2016-2026):

Local Authority	Indicative assessment of housing need based on proposed formula, 2016 to 2026 (dwellings per annum)	Current local assessment of housing need, based on most recent publically available document (dwellings per annum)
Cambridge	583 (-17%)	700
East Cambridgeshire	598 (-13%-2%)	526 - 586
Fenland	511 (-15%)	600
Forest Heath	367 (+8%)	340
Huntingdonshire	1,010 (+26%)	804
Peterborough	942 (-4%)	981
South Cambridgeshire	1,182 (+13%)	967
St Edmundsbury	446 (-19%)	550

It should be noted that the above figures are for illustrative purposes only and are intended to be the baseline figures that local authorities will need to plan for and will need to be updated on a regular basis throughout the life of the Local Plan.

The new method of calculating housing need does not make any specific adjustment to take account of anticipated employment growth.

	<p>A cap will be placed on any increase with reference to the status of the local authorities' local plan:</p> <ul style="list-style-type: none"> a) for local authorities that have adopted their local plan in the last five years the new annual housing need figure will be capped at 40% above the current figure b) for those authorities that do not have an up to date plan (i.e. over five years old) the new annual housing need figure will be capped at 40% above whichever is the higher of the projected figures using either the ONS household projections or the figure set out in their current local plan. <p>It is also proposed to amend the existing local planning guidance to allow local authorities who have ambitions for higher local housing growth to plan for a higher number than those calculated using the new approach where this is based upon a sound local assessment. Planning Inspectors will be advised to work on the assumption that the approach adopted is sound unless there are compelling reasons to indicate otherwise.</p> <p>Where an authority proposes housing figures which are lower than the housing need calculated using the new standardised approach these will be rigorously tested by the Planning Inspector at examination stage.</p> <p>Where local authorities are already working together to identify their housing need (as in the case of the Cambridge Housing Sub-Region SHMA) there is the ability to produce a single assessment of housing need for the area as a whole. In this case the housing need for the defined area should be the sum of the local housing need for each local planning authority.</p> <p>Transitional arrangements will be in place depending upon the status of the current or emerging plan:</p> <p>In the case of Forest Heath they will be able to progress with examination using the current method of calculating housing need.</p> <p>For St Edmundsbury as the current Local Plan has been adopted in the last 5 years we can continue to use the current figure. However, when the review of the Plan takes place we will be required to use the new standardised method. Given that Vision 2031 is 3 years old, we have 2 years to adopt the West Suffolk Local Plan using the new standardised approach to ensure we have an up to date Plan across the whole of West Suffolk.</p>
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Issues to consider:

The proposed new method of calculating housing need would result in a net loss of 77 dwellings per year for West Suffolk over the period 2016-2026, using the current ONS current household projections and median affordability ratios. It must be borne in mind that the ONS figures will be up dated on a regular basis and that the housing need figures will therefore, not remain static over the life of the Local Plan, but will need to be reviewed every two years.

The use of the ONS household projections and median affordability ratios are not directly comparable – one is based on households, while the other is calculated at an individual person level.

There is a lack of correlation between housing and economic growth. The New Anglia SEP has ambitious targets in this regard. Similarly the Combined Authority is preparing its economic strategy which is likely to be equally ambitious. The modelling being done by Cambridge Ahead based on business growth projections far exceeds any current growth modelling based on ONS statistics.

In applying the new calculation of housing need and delivering the additional houses identified for Forest Heath, consideration will need to be given to landscape restrictions, which in the consultation document are identified as being 32% of the land area for Forest Heath compared to 7% for St Eds. However, the proposed formula appears to take no account of the impacts of these landscape restrictions in the ability of a local authority to actually be able to deliver to proposed increased housing numbers.

Further work will also need to be undertaken to fully understand the implications of USAFE on both the local affordability ratio and house growth projections.

The current housing needs figures for West Suffolk have been calculated with reference to the Cambridgeshire SHMA, which while it uses a robust methodology that has been tested at inspection, is not comparable to that used across the rest of Suffolk. The methodology proposed in the consultation will make the calculation simpler and more transparent and far less open to challenge. The proposal that where authorities are working together to identify housing need could have significant implications for West Suffolk, as the Cambridgeshire authorities that form the Combined Authority could look to exclude those authorities that

	<p>are not part of that area. This approach would, however, run counter to the existing requirements in NPPF and the proposed requirement for local authorities to produce a Statement of Common Ground.</p> <p>Early discussions will need to take place to ensure that the SHMA continues to be produced on the existing Housing Market area. The continued production of the SHMA will be vital in being able to meet the requirements to disaggregate the overall housing need figure to identify the needs of specific groups (see below).</p> <p>The consultation also sets out the need for a Statement of Common Grounds (see below) between neighbouring authorities, so there may be request from authorities such as South Cambs, Braintree, Babergh and Mid Suffolk to share some of their numbers as they will all see a significant increase in their numbers using the new formula.</p> <p>While the consultation document makes a direct link between high house prices and a lack of supply, with the assumption that increasing numbers will assist with reducing the lack of supply, there is no direct link made between the types of housing (tenure/size) that are required. Increasing the numbers of houses could simply result in developers choosing to build larger more profitable properties, which would have little impact upon the overall affordability of properties.</p>
<p>improving how authorities work together in planning to meet housing and other requirements across boundaries, through the preparation of a statement of Common Ground</p>	<p>The duty to co-operate was introduced in the Localism Act 2011 with the aim of co-ordinating strategic cross-boundary planning matters, compliance with the duty is tested at examination stage. However, recent evidence points to the fact that this duty is not working and the Housing White paper contained a proposal to require planning authorities to produce a statement of common ground, setting out how they intend to work together to meet housing needs and strategic cross-boundary infrastructure that cut across authority boundaries. The proposal is to revise the NPPF to require all local planning authorities to produce a statement of common ground over their housing market area or other agreed geographical area where justified. The statement will need to set out cross-boundary matters, including housing need for the area, distribution and proposals for meeting any shortfalls.</p> <p>Local authorities can also be signatories to more than one statement where there are strategic issues in which they have an interest.</p>

	<p>All local planning authorities will need to have a statement in place within twelve months following the publication of the revised NPPF, regardless of where they are in the plan making cycle, with an expectation that an outline statement will be produced within six months of publication. The statement will also need to be updated on a regular basis to reflect changing priorities.</p> <p>It is also proposed that the test of soundness for a local plan will also be amended so that plans will need to be informed by agreements and effective joint working over wider areas, which are evidenced in the statement of common ground.</p> <p>If there is evidence that statements of common ground are not being produced or working effectively, the Government are proposing a range of interventions such as directing local planning authorities to amend their plans to ensure communities and neighbouring authorities are not being disadvantaged.</p> <p>Issues to consider:</p> <p>In adopting a new national methodology for calculating housing need is the Government effectively indicating that there is no longer a requirement for Strategic Housing Market Areas? This is unclear in the consultation and would impact considerably upon West Suffolk.</p> <p>West Suffolk will need to work closely with our neighbouring Cambridgeshire authorities to develop a statement of Common Ground, as our housing market is clearly linked to Cambridgeshire rather than Suffolk. At present the elected Mayor for Cambridgeshire does not have responsibility for Strategic Planning, but this may change at a future date. This could potentially have impacts for West Suffolk as the Government are considering introducing additional powers for those areas with elected Mayors, requiring them to also produce a Statement of Common Ground.</p> <p>We will also need to co-operate with the rest of Suffolk on both housing and infrastructure issues, through the development of the Spatial Development Strategy to better link planning and infrastructure funding and the challenges to secure investment and deliver homes across local authority boundaries.</p> <p>As previously indicated there may be opportunities for West Suffolk to co-operate with neighbouring authorities</p>
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	<p>who may be unable or unwilling to accommodate their increased housing numbers.</p> <p>Consideration will also need to be given to the balance between the needs of the wider area need and local needs, to ensure that the needs of the wider strategic area do not distort or overshadow local need.</p>
<p>how the approach to calculating housing need can help authorities plan for the needs of particular groups, including affordable housing and housing for older and disabled people and support neighbourhood planning</p>	<p>Recognition that local planning authorities (LPA) don't only have to plan for the right number of houses, but also the different sizes, type, tenure and range of housing for their area. New planning guidance relating to how this is planned for will be published alongside the revised NPPF.</p> <p>Planning authorities will be required to identify the need for a range of tenures including older and disabled people, affordable housing and self-build etc. which have to be disaggregated into the overall need.</p> <p>Neighbourhood plans introduced under the Localism Act 2011 are seen as a powerful tool for local people to guide future development of their area. The housing White Paper proposed to amend national policy so that local planning authorities are expected to provide neighbourhood planning groups with a housing need figure, where this is needed to allow progress to be made with neighbourhood planning.</p> <p>Where the local plan is out-of-date and cannot be relied on as a basis for allocating housing figures, the Government are proposing to set out in guidance a simple formula-based approach which apportions the overall housing need figure for the relevant local authority area/s, based on the latest figures calculated under the new standard approach to the neighbourhood planning area.</p> <p>Issues to consider</p> <p>There would appear to be a conflicts in the consultation between the requirement to apply the new methodology for calculating the housing needs, the requirement to disaggregate this figure to identify the needs of specific groups and requirement for LPA to provide a housing need figure to feed into neighbourhood plans.</p> <p>There needs to be a clear understanding and link between supply and demand for specialist housing. The new methodology for calculating housing need should not lead to the demise of the SHMAs, which include a far more detailed assessment of need across the different tenures and housing types. Without these documents it</p>

	<p>is unclear how authorities would be able to disaggregate the total housing need across the different client groups.</p> <p>The identification of housing need within neighbourhood plans needs to follow same methodology for identifying local housing need and should be updated every two years in-line with district level figures. It is unclear how local planning authorities will be expected to disaggregate an accurate housing needs figure for designated neighbourhood planning area or parishes.</p> <p>No link or comment is made in the consultation between the need for a LPA to plan for the needs of a particular group and what would happen if the LPA failed to meet the needs of that group, especially if was a protected group under the Public Sector Equality Duty, such as Travellers, would a LA be open to a subsequent challenge?</p>
<p>proposals for improving the use of section 106 agreements, by making the use of viability assessments simpler, quicker and more transparent</p>	<p>The consultation proposes that local planning authorities will need to set out the types and thresholds for affordable housing contributions required, the infrastructure needed to deliver the local plan and the expectations for how these will be funded and the contributions developers will be expected to make. With the plans and policies needing to be tested for viability to ensure they are deliverable.</p> <p>The NPPF will be amended to make clear that where policy requirements have been tested for viability, the issue should not usually need to be tested again at planning application stage. In future it will be assumed that where planning applications can meet the requirements set out in the local plan they are viable.</p> <p>Where viability assessments are still needed the process must become more open, transparent and easily understood. The Government propose to update the planning guidance to help make viability assessments simpler, quicker and more transparent.</p> <p>The national planning policy will also be amended so that local planning authorities will need to set out how they will monitor, report and publicise funding/planning obligations secured through S106 agreements and how the funding is to be spent.</p> <p>Issues to consider</p> <p>The current Forest Heath and St Eds local plans already set out the types and thresholds for affordable housing contributions required and these have been tested for</p>

	<p>viability. Work on the Suffolk SPIF will help to identify infrastructure requirements.</p> <p>It is a positive step that the Government recognises the on-going issues around viability. The transparency of viability assessments would be greatly improved if the Government were to introduce a simple standardised approach that could be applied nationally. This would avoid situations where developers are able to apply their own methodologies and assumptions that are difficult to challenge.</p> <p>Key parties need to be engaged at the earliest possible stage in planning applications so as not to cause viability issues at a later date.</p> <p>West Suffolk has for the past two years published an annual report on delivery and performance of S106 agreements.</p>
<p>seeking further views on how we can build out homes more quickly</p>	<p>Paragraph 2.15 of the housing White Paper set out the Government's intention to increase nationally set planning fees by 20 per cent for those local planning authorities who committed to invest the additional fee income in improving the productivity of their planning departments. All local planning authorities chose to make this commitment and Government are working on the regulations to enable this to happen.</p> <p>The housing White Paper also suggested that an increase of a further 20 per cent on the current fee level could be applied to those authorities who are delivering the homes their communities need. The current consultation seeks views on the most appropriate criteria to enable this to happen.</p> <p>The Government wants to see homes built faster and expects house builders to deliver more homes, more quickly and to a high quality standard. They recognise that after planning permission for new homes is granted, there are a variety of factors that can prevent development from starting or slow down delivery. Rather than focussing on a single issue, the housing White Paper acknowledged that all parties in the development process need to play their part in speeding up the delivery of new homes. The housing White Paper set out a number of wide-ranging approaches, such as diversifying the housebuilding market – supporting new entrants and encouraging modern methods of construction and addressing skills shortages by growing the construction workforce the current consultation seeks views on any other actions that could increase build out rates?</p>

	<p>Issues to consider</p> <p>Should the further proposed increase in Planning fees be restricted to larger strategic sites say above 50 units so as to avoid any potential impact on viability of smaller sites?</p> <p>Should there be a link between pre-application advice and the ability to charge increased planning fees?</p> <p>The West Suffolk Housing Delivery Plan will specifically seek to identify mechanisms and options for speeding up build out rates for new housing.</p>
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3.2 The full consultation document can be found here:
<https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals>.

3.3 Subject to the outcome of this consultation, and the responses received in the Housing White Paper, the Government intends to publish a draft revised National Planning Policy Framework early in 2018.

4. The wider context

4.1 A Suffolk-wide response and a Cambridge Sub-region response are being prepared. As soon as the detail around those responses is available they will be circulated to Cabinet Members and Leadership Team.

5. West Suffolk's response – Timetable

5.1 The content of this report is being considered by West Suffolk Joint Growth Steering Group on the 31 October 2017, with any feedback or changes from Leadership Team being reported verbally.

5.2 The Portfolio Holders for Planning and Growth and for Housing will then sign-off the final response in early November 2017.

5.3 The deadline for responses is **Thursday 9 November 2017**. If you have any comments please send them through to either Simon Phelan, Service Manager (Strategic Housing) at simon.phelan@westsuffolk.gov.uk or Marie Smith, Service Manager (Planning Strategy) at marie.smith@westsuffolk.gov.uk by Wednesday 1 November 2017.