



Planning for the right homes in the right places: consultation proposal.

To: All English contacts

For info: Contacts from Wales, Scotland and Northern Ireland.

Key Issue

The housing White Paper, 'Fixing our Broken Housing Market; was published following the government's commitment to build 266,000 homes per annum by 2020 and put in place mechanisms to enable accelerated growth in housing.

1. Introduction

Following the publication of the housing White Paper, 'Fixing our Broken Housing Market,' the government are seeking views on a variety of proposals that were set out in the document and mechanisms for delivering their commitment to build 266,000 homes per annum by 2020.

The measures set out in the consultation are aimed to help ensure that local authorities plan for the right homes in the right places and to create a more transparency in the planning system.

The deadline for responses has been set as 9 November 2017 and the government has stated an intention to publish a draft revised NPPF in early in 2018, subject to the outcome of the consultation, and in conjunction with the responses already received in relation to the housing White Paper. This will be followed by a further period of consultation on the wording with a revised updated draft being published in the spring 2018.

This briefing provides an overview of the consultation document and the proposals that the government is seeking views on with details of the consultation questions outlined in Appendix 1 and the full consultation documents on the Government's website and can be found using the below link: -

[Planning the right homes in the right places: Consultation proposal](#)

2. Background

The housing White Paper published in February 2017 set out the four-main area of focus for action with a range of proposals to reform planning to achieve the objectives and reinforce the central role that local planning authorities and local communities have in relation to development.

The following key areas are contained in the consultation: -

- (i.) The proposed approach to a standard method for calculating housing need.
- (ii.) The preparation of a statement of common ground to improve the ways authorities work together.
- (iii.) Details of how the new approach to calculating housing need can assist authorities in planning for local need and support neighbourhood planning.
- (iv.) Proposals for improving the use of section 106 agreements.
- (v.) Seeking views on how homes can be built quicker
- (vi.) Proposals in relation to increasing local authority planning fees by 20%

3. Proposed approach to calculating the local housing need.

The housing White Paper stated that the existing approach to assessing housing need was too complex and the current process left significant room for interpretation, and this has led to costly and time-consuming process which lacks transparency.

In addition, it is considered that the approach should allow an understanding to be gained of the minimum number of homes that are required across England as a whole. The proposals in the consultation for the approach to a standard method consist of three components, demographic baseline, marketing signals and a proposed cap to limit any increase.

Step 1- Setting the baseline — The government considers that the starting point should continue to be the future projection for household growth, calculated initially for the local authority area using the Office of National Statistics estimates for future growth.

The projections of household growth should be the demographic baseline for every local authority area. In areas where this is a negative figure, the baseline of zero should be applied. In both cases the proposal is that the demographic baseline is taken as an annual average of household growth over a 10-year period. This is to ensure that there is effective planning for the preparation and duration of the plan with the expectation that it would be reviewed every five years.

Step 2 — An adjustment to take into account market signals — There is an expectation that household growth is not sufficient on its own and there is already a long-standing principle in planning policy that the appropriate level of housing must address the affordability of new homes, and the household growth figures need to be adjusted to take into account market signals.

The proposal for this approach is to use the median affordability ratio that is published by the Office of National Statistics at a local authority level and the workplace-based median house price to median earnings ratio for the most recent year for which the data is available. In order to get the total housing number close to the government target of 225,000 to 275,000 per year the modelling proposes that each one percent increase in the ratio of house prices to earnings above four, results in a quarter of a percent increase in need above projected household growth for example: -

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

The overall housing need figure will be formulated as follows: -

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

Paragraph 23 of the consultation document sets out examples of how the calculation would be applied. The key principle of the calculation is based upon the maximum amount that can be typically borrowed for a mortgage which is currently four times a person's earnings.

Step 3 — Capping the level of any increases — The government proposes capping the level of any increase according to the current status of the local plan in each authority in the following ways: -

- (i.) Authorities who have adopted their plan in the last five years a cap of 40 percent above the annual requirement figure that is identified in their local plan; or
- (ii.) Authorities that do not have an up to date plan the annual housing figure a cap at 40 percent of whichever is higher of the projected household growth or the annual housing requirement figure set out in the local plan.

For the second and subsequent plan reviews it is proposed that the cap should remain at 40 percent above the number of homes an authority is planning for in the extant local plan when it is reviewed. There is an expectation that applying this standard approach universally will lead to a total housing need across the country of just over 266,000 homes, including 72,000 in London.

The final aspect of the proposal for a standard approach requires the figures to be transparent, simpler for people to understand and practical suggestions for ensuring this information can be made more transparent are sought.

4. Joint Working

The government is keen to encourage more local authorities to work together when identifying their housing need and where this is the case the proposal is that for a defined area, the housing need should be the sum of local housing need for each local planning authority. In London where the Mayor has overall responsibility for housing a Greater London Development Strategy will set the London wide housing target that is broken down to a minimum housing target for the individual boroughs which is consistent to the method in the rest of England.

Implementing the new approach

The NPPF paragraph 17 and 157 requires local plans to be reviewed regularly and there is an intention that the Framework will be amended to be explicit and state that there is a duty to review the plan every five years. The expectation is that housing need will be identified as part of the plan preparation stage as this then can be used as part of the initial evidence gathering and continued work on the evidence base.

As the published figures are not static, the government propose that the evidence used to support their housing need should be relied upon for two years from the date that the plan is submitted.

In addition, the NPPF will be amended to reflect the fact that having a robust method for assessing local housing need will be part of the tests that plans are assessed against and the planning guidance will make it clear that the proposed standard method will be sufficient to satisfy this test.

Deviation from the new method

It is envisaged that local authorities will opt to use the proposed standard approach due to the financial and time-saving benefits. However, it is recognised that there may be compelling circumstances that mean they do

not to use this method. Authorities that opt not to use the standard approach will need to have clear justification which will be tested at examination.

Where an authority has ambitions to deliver more homes than required using the standard approach, this ambition is supported by strategies like a modern industrial strategy, the plan will be given the proper support and as such it is proposed that the planning guidance will be amended and Planning Inspectors are to be advised to work on the assumption that the approach is sound unless there are compelling reasons to indicate otherwise.

Implications of a standardised approach for calculating the five-year supply of housing and the Housing Delivery Test

The government is explicit that planning should be plan lead and sets out proposals to incentivise authorities to adopt up to date plans. Therefore, where an authority does not have an up to date local plan or strategic plan in place there is a proposal that after 31 March 2018 the new method for calculating the local housing need would apply as a baseline for assessing five-year land supply.

The consultation document recognises that there will be circumstances where local authorities are collaborating on ambitious new home proposals and these may take longer to bring forward and in these circumstances the Secretary of State would be able to retain some discretion to grant additional time before the baseline applies. For areas where there are joint plans in place the government is seeking views on whether the five-year land supply should be calculated for the whole area. It is stated that this approach would need to be agreed across all the authorities and set out in the joint or Mayoral plan.

Transitional Arrangement for the proposed approach

Several authorities have already undertaken significant steps in preparing their plans. Therefore, there are proposals set out in the document regarding the transitional arrangements for each step of the plan process including for those plans that are more than five years old.

Statement of common ground

Following the implementation of the Localism Act 2011 which introduced the duty for local authorities to co-operate, and the announcement of developments like garden villages the government is further reinforcing the requirement to plan together and ensure the infrastructure and public services are planned for the wider area and should be done by local authorities working together.

However, the consultation reports that there is evidence from recent planning examinations that suggests that there is a failing in the duty to co-operate. Paragraph 1.9 and A.13 of the housing White Paper sets out proposals for the statement of common ground. The consultation refers to three identified problems with local authorities co-operating which are the lack of transparency, co-operation is only tested towards the end of the plan process and there is no legal requirement for authorities to work together.

Statement of common ground policy

To support more effective joint working the government intends to set out in the NPPF that all local planning authorities should produce a statement of common ground over the housing market in the area or other agreed geographical area where justified and appropriate. The intention is not to replicate any stage of the plan making process nor place an additional burden on the authority. It is intended that it should act as a road map for strategic planning matters.

Determining the key issues and geographical area

The NPPF already makes it clear that local planning authorities should work with neighbouring authorities to produce a strategic housing market assessment where housing market areas cross administrative boundaries. It is proposed that the NPPF will set out that local planning authorities should use agreed housing market areas as the geographical area over which to develop statements of common ground, unless they are able to jointly determine and justify an alternative area over which to produce their statement of common ground. They will also be able to produce more than one statement of common ground.

Determining the primary authorities and signatories

The housing White Paper and the consultation state a clear intention that the planning process should not be delayed unnecessarily, and it is against this backdrop the proposals for the statement of common ground sets out the following proposed signatories: -

- (i.) Local authorities should only be signatories to those relevant strategic matters which they have an interest in.
- (ii.) Local authorities can be signatories to more than one statement where appropriate.
- (iii.) County councils and the marine management organisation should be necessary signatories to their areas of responsibility.

The government are seeking views on the most effective way of introducing the statement of common ground in areas with Mayors with strategic plan-making powers and also welcome views on the role of directly elected Mayors who do not have strategic plan making powers in the production of statements of common ground.

Production of the statement of common ground

Following the publication of the revised NPPF, it is proposed that local authorities will be required to have a statement of common ground in place within twelve months and an outline of the statement within six months, in order to ensure greater certainty at an earlier stage of the process and the statements are to be published local authorities' websites.

Keeping the statement of common ground up-to-date

The proposals set the expectation that as a minimum the statement should be reviewed, and if required, updated at key milestones in the plan-making process.

The contents of a statement of common ground

The consultant document outlines the details of the proposed contents of the statement at the six-month and twelve month stage of the planning process.

Ensuring that effective co-operation is happening

The statement of common ground will provide evidence of the authority's compliance with their duty to co-operate and will provide transparency at a much earlier stage of the planning process. Alongside this sits the requirement for a plan to be 'sound,' which is assessed by the Planning Inspectorate at examination. In order to encourage local planning authorities to plan for the wider housing need the government are proposing to

amend the test of soundness to ensure plans are: -

- (i.) Prepared based on a strategy informed by agreements over the wider area; and
- (ii.) Be based on effective joint working on cross-boundary strategic priorities, which are evidenced in the statement of common ground

It is proposed that these changes will not be applied until 12 months after the revision of the NPPF.

5. Planning for a mix of housing needs

Local planning authorities are required to plan not just for the right number of homes, but also the size, type, tenure and range of housing that is required in their area. Currently this is often carried out as part of the strategic housing market assessment. This will need to be updated to take account of the proposed new approach for assessing local housing need and the consultation seeks suggestions in relation to how the process for identifying housing need for individual groups can be streamlined and what evidence could be used to help in identifying the need.

In addition, the Secretary of State provides guidance regarding the definition of older people and currently this definition is deemed to be fit-for-purpose. However, the government would welcome views on this.

6. Neighbourhood planning

The government perceives that neighbourhood planning is an important tool for local people to guide future development, regeneration and conservation of their area and to date there are over 400 neighbourhood plans in force.

The housing White Paper set out a proposal requiring local authorities to provide neighbourhood planning groups with the housing need figure it is proposed the planning guidance is to make it clear that authorities may do this by making reasoned judgement based on the settlement strategy and housing allocations in their area, so long as the local plan provides a sufficient up-to-date basis to do so.

Views are being sought on whether national policy should expect local planning authorities to set out, in their plans, a housing figure for designated neighbourhood planning areas and parished areas within their local area.

Where a plan is out-of-date the proposal is 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.

7. Proposed approach to viability assessment

Following the publication of the housing White Paper stakeholders have commented that the use of viability assessments in planning permission negotiations has expanded to a degree that causes complexity, uncertainty and results in fewer contributions for infrastructure and affordable housing than required by local policies.

It is against this background that the consultation proposes changes in the assessment of viability for plan-making and decision-taking, through amendments to policy and guidance.

Proposed approach to viability in plan-making

In order to make clear how key strategic priorities need to be planned for and delivered the government propose that local planning authorities should set out the types and thresholds for affordable housing contribution required; the infrastructure needed to deliver the plan; and expectations for how these will be funded and the contributions developers will be expected to make.

As part of the consultation, views are being sought on whether changes to planning guidance could be made to improve the way plans are tested for viability to ensure they are deliverable.

Proposed approach to Viability in Decision Taking

For applications that meet the requirements set out in the plan the assumption should be made that these are viable. Therefore, it is proposed that the NPPF will make clear that where policy requirements have been tested for their viability, the issue should not usually need to be tested again at the planning application stage.

The government is keen to ensure that infrastructure providers are engaged throughout the process and early engagement can result in more robust policies and assessment and it is proposed that the guidance will be amended to encourage engagement with housing associations and infrastructure providers so that they can better inform the plan-making and viability assessment process.

Improving transparency

Transparency is a consistent theme in the consultation and this extends to the process of viability assessment. It is proposed that planning guidance will be updated to help make viability assessments simpler, quicker and more transparent. Requiring local authorities to set out in their plans how they will monitor, report on and publicise funding secured through section 106 agreements and how it is spent.

The government is also keen to understand how local planning authorities and applicants can work together to better publicise infrastructure and affordable housing secured through new development once a development has commenced.

8. Planning Fees

The consultation refers to local authority planning departments as being the engine room for providing new homes and economic growth in their area. The lack of capacity and capability in planning departments can act as a constraint to development. In paragraph 2.15 of the housing White Paper the government set out its intentions to increase nationally set planning fees by 20 percent for authorities who commit to invest the additional fee in improving the productivity of their planning departments. The consultation asks for details of the most appropriate criteria to enable the fee increase to be applied.

9. Other issues

In addition to the issues specified, the government are also seeking views on the following issues: -

- (i.) Other options for increasing build out rates
- (ii.) The grounds for refusal of an application on the basis of prematurity be included in the NPPF rather than guidance.

APSE Comment

The proposed measures set out in the consultation document are designed to help ensure that local authorities plan for the right homes in the right places, creating a clear and transparent system that every community and local area can understand the challenge faced. However, as APSE has always argued addressing housing need will not be possible through developer led solutions alone. Local councils building new homes directly must be part of the solution if the scale of the challenge is to be met.

APSE welcomes the proposals for setting a standard approach for assessing housing requirements and when combined with the details regarding the statement of common ground, there is the potential for greater clarity to be provided and a more transparency around the planning process. This presents local authorities with an opportunity for a more consistent method to plan for housing and the associated infrastructure across local areas that are not defined by council boundaries. However, it will be essential that the housing sector and local councils are in agreement on the methodology and that it is fit for purpose moving forward. This could also be seen as an enabler for closer collaboration at an earlier stage of the planning process.

A transitional implementation of the new approach is supported due to a number of authorities that have committed time and resource into processing their plans and the phased implementation set out in the consultation recognises this.

Planning for a mix of housing need is essential to building strong and sustainable communities. The consultation document seeks views on how the process can be streamlined and asks for details of what evidence can be used to demonstrate the need. APSE would welcome proposals that would allow local authorities to take a lead role in planning for the housing mix and being able to deliver against this need directly or through their wholly owned arm's length housing companies with many authorities demonstrating they have the ability to build homes that meet local need.

Viability assessments are very complex and present a degree of uncertainty to the planning process. APSE would welcome changes to policy and guidance that would support a more transparent approach and allow local authorities to assess developer's claims when sites become unviable. As APSE has previously stated any amendments to the viability test, should support the House of Lords Built Environment Committee recommendation that the viability test needs revision to ensure that it is not 'used to compromise the ability of local authorities to meet housing need, including affordable housing need, as determined through development Plans'. Similarly as APSE has stated in our recent research 'Building Homes: Creating Communities' the viability test is narrowly framed to 'provide a competitive return to developers and land owners' and thus remains challenging to the delivery of high-quality mixed tenure homes; this potentially leads vital public interest outcomes to be downgraded or removed, particularly in relation to affordable homes, building standards and green infrastructure. The Viability Test remains therefore controversial for councils because it provides a mechanism for both reducing the amount of affordable homes through section 106 agreements and for renegotiation of existing agreements. The amount of affordable homes delivered through section 106 has fallen as a result. Any changes to the Viability Test must therefore address these fundamental concerns.

Whilst introducing an increase in the planning fee to build capacity and capability in planning departments is a practical solution to help meet the government's target for building more homes APSE would nevertheless like to see the setting of planning fees include at least some degree of local determination ~~delegated to a local level~~ as there will be areas that have high development and economic growth but this is not true for all and increases in fees could deter small and medium enterprises coming forward with plans to develop sites. The capacity

issues in planning are also reflective and symptomatic of the wider budget reductions falling upon local councils as highlighted in our recent finance report '[Redefining Neighbourhoods; Beyond Austerity?](#)'

On a final point, in meeting housing need, a holistic approach is required with policies and strategies being based on place and promoting well-being. APSE would support greater emphasis being introduced in guidance and the NPPF regarding the importance of place and promoting well-being in local and neighbourhood plans alongside a renewed vigour on the quality of new homes, spatial standards and housing that meets the needs of all within communities.

The APSE Housing, Construction and Building Maintenance Seminar 2017, Building Safer, Stronger and Sustainable Communities has a session focused on case studies of authorities that are delivering housing.

For more information please click the link:- [APSE Housing, Construction and Building Maintenance Seminar — 5 /6 October 2017](#)

APSE will be responding to the consultation on behalf of its membership, we would therefore welcome views on the questions below and copies of individual member authority submissions.

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Appendix 1

Planning for the right homes in the right places: consultation proposal.

Question 1 (a) Do you agree with the proposed standard approach to assessing local housing need? If not, what alternative approach or other factors should be considered?

Question 1(b) How can information on local housing need be made more transparent?

Question 2 Do you agree with the proposal that an assessment of local housing need should be able to be relied upon for a period of two years from the date a plan is submitted?

Question 3 Do you agree that we should amend national planning policy so that a sound plan should identify local housing needs using a clear and justified method?

Question 4 Do you agree with our approach in circumstances when plan makers deviate from the proposed method, including the level of scrutiny we expect from the Planning Inspectors?

Question 5(a) Do you agree that the Secretary of State should have discretion to defer the period for using the baseline for some local planning authorities? If so, how best could this be achieved, what minimum requirements should be in place before the Secretary of State may exercise this discretion, and for how long should such deferral be permitted?

Question 5(b) Do you consider that authorities that have an adopted joint local plan, or which are covered by an adopted spatial development strategy, should be able to assess their five-year land supply and/or be measured for the purposes of the Housing Delivery Test, across the area as a whole?

Question 5 (c) Do you consider that authorities that are not able to use the new method for calculating local housing need should be able to use an existing or an emerging local plan figure for housing need for the purposes of calculating five-year land supply and to be measured for the purposes of the Housing Delivery Test?

Question 6 Do you agree with the proposed transitional arrangements for introducing the standard approach for calculating local housing need?

Question 7(a) Do you agree with the proposed administrative arrangements for preparing the statement of common ground?

Question 7(b) How do you consider a statement of common ground should be implemented in areas where there is a Mayor with strategic plan-making powers?

Question 7(c) Do you consider there to be a role for directly elected Mayors without strategic plan-making powers, in the production of a statement of common ground?

Question 8 Do you agree that the proposed content and timescales for publication of the statement of common ground are appropriate and will support more effective co-operation on strategic cross-boundary planning matters?

Question 9(a) Do you agree with the proposal to amend the tests of soundness to include that:

- i) plans should be prepared based on a strategy informed by agreements over the wider area; and
- ii) plans should be based on effective joint working on cross-boundary strategic priorities, which are evidenced in the statement of common ground?

Question 9(b) Do you agree to the proposed transitional arrangements for amending the tests of soundness to ensure effective co-operation?

Question 10(a) Do you have any suggestions on how to streamline the process for identifying the housing need for individual groups and what evidence could be used to help plan to meet the needs of particular groups?

Question 10(b) Do you agree that the current definition of older people within the National Planning Policy Framework is still fit-for-purpose?

Question 11(a) Should a local plan set out the housing need for designated neighbourhood planning areas and parished areas within the area?

Question 11(b) Do you agree with the proposal for a formula-based approach to apportion housing need to neighbourhood plan bodies in circumstances where the local plan cannot be relied on as a basis for calculating housing need?

Question 12 Do you agree that local plans should identify the infrastructure and affordable housing needed, how these will be funded and the contributions developers will be expected to make?

Question 13 In reviewing guidance on testing plans and policies for viability, what amendments could be made to improve current practice?

Question 14 Do you agree that where policy requirements have been tested for their viability, the issue should not usually need to be tested again at the planning application stage?

Question 15 How can Government ensure that infrastructure providers, including housing associations, are engaged throughout the process, including in circumstances where a viability assessment may be required?

Question 16 What factors should we take into account in updating guidance to encourage viability assessments to be simpler, quicker and more transparent, for example through a standardised report or summary format?

Question 17(a) Do you agree that local planning authorities should set out in plans how they will monitor and report on planning agreements to help ensure that communities can easily understand

what infrastructure and affordable housing has been secured and delivered through developer contributions?

Question 17(b) What factors should we take into account in preparing guidance on a standard approach to monitoring and reporting planning obligations?

Question 17(c) How can local planning authorities and applicants work together to better publicise infrastructure and affordable housing secured through new development once development has commenced, or at other stages of the process?

Question 18(a) Do you agree that a further 20 per cent fee increase should be applied to those local planning authorities who are delivering the homes their communities need? What should be the criteria to measure this?

Question 18(b) Do you think there are more appropriate circumstances when a local planning authority should be able to charge the further 20 per cent? If so, do you have views on how these circumstances could work in practice?

Question 18(c) Should any additional fee increase be applied nationally once all local planning authorities meet the required criteria, or only to individual authorities who meet them?

Question 18(d) Are there any other issues we should consider in developing a framework for this additional fee increase?

Question 19 Having regard to the measures we have already identified in the housing White Paper, are there any other actions that could increase build out rates?