

<b>NORTH NORTHAMPTONSHIRE JOINT PLANNING COMMITTEE</b>		Item 4	Page 1 of 10
Date	<b>3<sup>RD</sup> SEPTEMBER 2020</b>		
Report Originator	<b>HEAD OF NORTH NORTHAMPTONSHIRE JOINT PLANNING AND DELIVERY UNIT</b>		
Title	<b>CHANGES TO THE CURRENT PLANNING SYSTEM CONSULTATION AUGUST 2020</b>		

## 1. PURPOSE OF REPORT

- 1.1 To seek the Joint Planning Committee's views on the consultation on changes to the current planning system, particularly in relation to the proposed standard method for assessing Local Housing Need. Delegated authority is sought to enable a full response to be finalised in consultation with the Chairman and Vice-Chairman, taking account of the views of the partner councils.

## 2. BACKGROUND

- 2.1 The Government published the [Changes to the current planning system](#) consultation on 6<sup>th</sup> August 2020. The deadline for responses is 1<sup>st</sup> October. A copy of the consultation document is provided at [Appendix 1](#). This consultation relates to proposals that the Government considers will improve the effectiveness of the current system in the short/medium term. More fundamental changes to the planning system in the medium/long term are set out in the [Planning for the Future White Paper](#), with the later closing date of 29<sup>th</sup> October 2020. The White Paper will be reported to the JPC on 28<sup>th</sup> October 2020 following consideration by the individual local planning authorities and the Shadow Executive.
- 2.2 The proposed changes to the current planning system have potentially very significant implications for North Northamptonshire. Key elements of the consultation are summarised in section 3. This report focuses on proposed revisions to the standard methodology for calculating Local Housing Need (LHN).
- 2.3 The report also provides a brief overview of the other elements of the consultation with a short commentary on their implications. Given the consultation still has a number of weeks to run, and understanding of the implications of the proposals is still evolving, delegated authority is sought for the Head of the JPDU, in consultation with the Chairman and Vice-Chairman, to submit a response on behalf of the Joint Planning Committee. This will be developed with officers from the partner LPAs alongside feedback from the Committee on the content of this report.

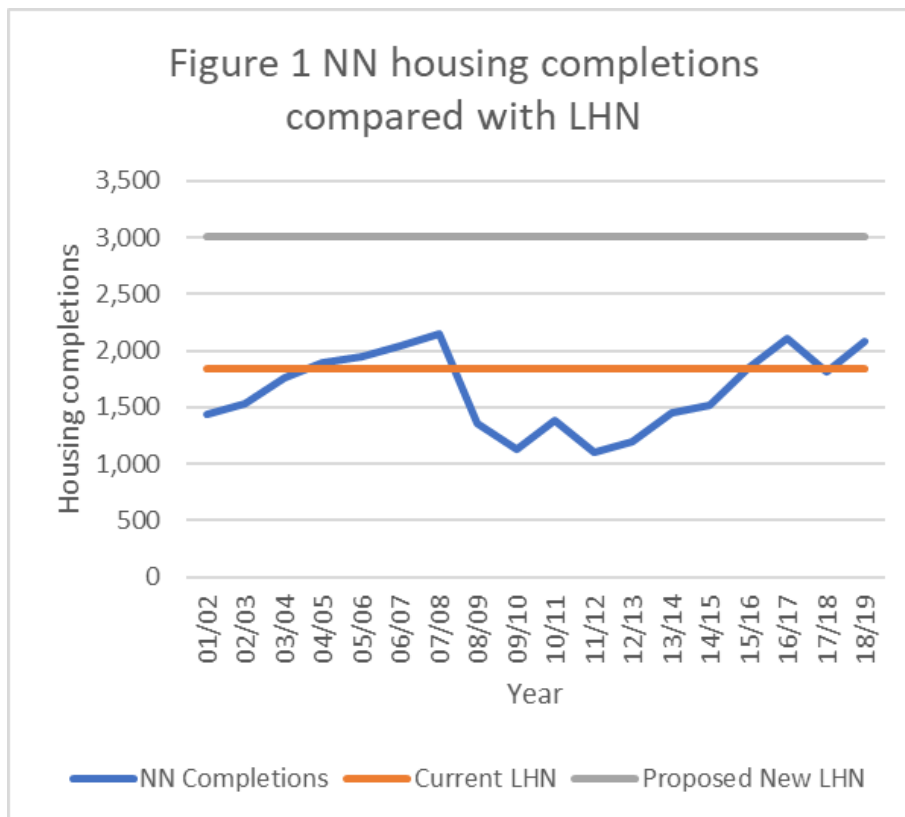
**3. KEY ELEMENTS OF THE PROPOSALS AND IMPLICATIONS FOR NORTH NORTHAMPTONSHIRE**

**The standard method for assessing housing numbers in strategic plans**

- 3.1 Changes are proposed to the standard method for assessing LHN for local plans, which as well as being a proposal to change guidance in the short term has relevance to proposals for land supply reforms set out in the *Planning for the Future White Paper*.
- 3.2 The consultation states that the changes are designed to:
- a. Ensure the standard method is more agile in using up-to-date data.
  - b. Achieve a better distribution of homes where homes are identified in more high-demand areas and in emerging demand areas across the country
  - c. Provide stability to the method by smoothing out areas of potential volatility so that the basis on which local authorities are expected to plan for is more predictable.
  - d. Be consistent with the Government's ambition for a housing market that supports 300,000 homes by creating a method with a suitable overall national number that enables achievement of this aim.
- 3.3 The current standard method uses the latest Office for National Statistics (ONS) household growth projections for the next ten years as a baseline figure. This is then adjusted according to an affordability ratio, which measures the difference between house prices and annual earnings. The resulting housing need figures are capped at 40% above any housing requirement adopted by the local authority within the last five years.
- 3.4 In the proposed revised method, levels of existing housing stock are taken into account alongside future household projections. The higher figure of either 0.5 % of existing housing stock or the latest household growth projections are to be used as the baseline for housing need. This baseline is then adjusted in relation to affordability (as at present) and also the change in the affordability ratio over the last 10 years. The 40% cap would be removed because, the document states, it "artificially suppresses the level of housing identified".
- 3.5 The proposed standard methodology is the first step towards a binding local plan housing requirement. The White Paper indicates that the figure produced by the revised standard method will be amended to take account of the constraints in each area, resulting in the new local plan housing requirement. It will then be the responsibility of individual authorities to allocate land suitable for housing to meet the requirement. The Government proposes that it would be possible for authorities to agree an alternative distribution of their requirement in the context of joint planning arrangements.

*Implications for North Northamptonshire*

- 3.6 Appendix 2 shows how the new standard method formula would result in a requirement for 3,009 dwellings per year; a 64% increase on the previous methodology's figure (1,837) and a 72% increase on the adopted Joint Core Strategy (JCS) requirement for 1,750 dwellings per year.
- 3.7 North Northamptonshire has a strong record of delivering growth and an ambition to deliver a further step-change as part of the Ox-Cam Arc, provided this is supported by necessary investment in infrastructure, jobs and the environment to provide real benefits to local communities. The NN Strategic Plan will assess the scope for additional growth. This will need to be ambitious but realistic, based on robust evidence.
- 3.8 The revised LHN is not considered realistic in the light of past levels of delivery shown in Figure 1, which reflect demand within the NN Housing Market Area. The highest recorded housing delivery in NN has been around 2,100 at the height of the market. This has not been constrained by a lack of land and it is inconceivable it could be accelerated to an average of 3,009 pa (LHN) unless the local economy is transformed and there is a firm commitment by Government and other providers to make substantial and sustained investment in infrastructure and services.



- 3.9 It is not clear how the LHN figures will be adjusted to take account of constraints. The only one referred to in the White Paper is Green Belt. This does not apply to NN but the Upper Nene Gravel Pits Special Protection Area and functionally linked land could be significant constraints. Strategic planning arrangements are not yet in place to consider spatial scenarios and housing distribution across the Arc, and it is likely to take several years to prepare a spatial framework. In the meantime, the Government has set out in the White Paper that it intends to abolish the “duty to cooperate”, which will remove the only formal mechanism for cooperation on cross-boundary.
- 3.10 Given this current vacuum in strategic planning arrangements, there is a significant risk that NN would have to deal with the LHN arising from the proposed new standard methodology through its own strategic plan and planning decisions, with no realistic prospect of numbers being redistributed elsewhere. This would have significant implications for the NN Strategic Plan. Paragraph 60 of the NPPF states that strategic policies should be informed by LHN using the standard method unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. The onus would therefore be on NN to demonstrate why the LHN cannot be accommodated and even this leeway to depart from LHN will disappear if it becomes a binding housing requirement as envisaged in the White Paper.
- 3.11 The proposed standard method will also have a more immediate impact on planning decisions in NN given the NPPF (para 73) requirement for local planning authorities to maintain a minimum of five years’ worth of housing against their housing requirement set out in adopted strategic policies, or against their local housing need where the strategic policies are more than five years old. The JCS is 5 years old in July 2021, when the new LHN figure would need to be used. This is likely to increase pressure for speculative housing proposals on unallocated sites.
- 3.12 The scale of the uplift resulting from the proposed standard method may not be obvious to consultees, as MHCLG has not published any local authority numbers. Using LHN figures published by [Lichfields](#), Table 1 below compares NN to other authorities in the Ox-Cam Arc, both in terms of total LHN (NN has the highest LHN of any authority) and as a % increase pa on top of existing housing stock, which is a better measure of how much a place is growing (NN has the 4th highest rate of growth).

<b>Table 1 - Local Housing Need arising from proposed standard method</b>	Dwelling Stock (2019)	LHN current standard method (dwellings pa)	Current LHN as % of dwelling stock	Proposed new standard method (dwellings pa)	New LHN as % of dwelling stock
Corby	29,842	506	1.70	799	2.68
Kettering	45,340	526	1.16	853	1.88
Wellingborough	35,214	348	0.99	535	1.52
East Northants	40,481	457	1.13	821	2.03
<b>North Northants</b>	<b>150,877</b>	<b>1,837</b>	<b>1.22</b>	<b>3,008</b>	<b>1.99</b>
Northampton	97,226	1,288	1.32	811	0.83
Daventry	36,284	348	0.96	970	2.67
South Northants	40,033	503	1.26	864	2.16
<b>West Northants</b>	<b>173,543</b>	<b>2,139</b>	<b>1.23</b>	<b>2,645</b>	<b>1.52</b>
Cherwell	66,475	756	1.14	1,305	1.96
West Oxfordshire	48,920	563	1.15	653	1.33
Oxford	59,157	603	1.02	656	1.11
South Oxfordshire	62,296	608	0.98	723	1.16
Vale of White Horse	58,669	661	1.13	1,447	2.47
Aylesbury Vale	82,018	1,398	1.70	2,197	2.68
Wycombe	74,044	764	1.03	889	1.20
Chiltern	40,095	343	0.86	619	1.54
South Bucks	29,624	431	1.45	433	1.46
Milton Keynes	113,237	1,806	1.59	1,417	1.25
Bedford	75,659	1,305	1.72	1,153	1.52
Central Bedfordshire	121,347	2,386	1.97	2,752	2.27
Luton	80,024	595	0.74	713	0.89
Peterborough	84,409	926	1.10	1,282	1.52
Huntingdonshire	76,892	976	1.27	1,019	1.33
Fenland	45,081	538	1.19	844	1.87
Cambridge	55,207	658	1.19	745	1.35
East Cambs	37,835	597	1.58	554	1.46
South Cambs	67,611	1,085	1.60	773	1.14

- 3.13 The use of these formulaic LHN figures as a basis for strategic plans would frustrate proper spatial planning linking housing, jobs and infrastructure. The proposed LHN figures are at odds with evidence prepared by the National Infrastructure Commission and others (and referenced in the Joint Declaration between Government and Local Authorities March 2019) as to how the Arc should be planned. This emphasises the need to focus growth along the corridor of the proposed East-West Railway and Expressway, and at the primary economic centres including Oxford, Cambridge, Milton Keynes and Northampton. Despite the strong performance of NN in delivering housing growth, it must be recognised that the area is at the periphery of the Arc, remote from the growth opportunities presented by investment in East-West connectivity. Its towns are secondary economic centres and the GVA is amongst the lowest in the Arc. Despite the JCS seeking to diversify the economy, market demand has not delivered the number of higher value jobs required.

- 3.14 For the reasons set out above, the standard method is considered flawed in its narrow focus on individual local authorities rather than Housing Market Areas or wider economic sub-regions. With NN having the highest LHN in the Ox-Cam Arc, the standard method clearly fails to meet the Government's stated intention (White Paper p32) to distribute the national housebuilding target of 300,000 new homes annually having regard to, amongst other things: "*the size of existing urban settlements (so that development is targeted at areas that can absorb the level of housing proposed)....; the relative affordability of places (so that the least affordable places where historic under-supply has been most chronic take a greater share of future development)*". These aims will only be achieved if decisions on the distribution of housing within the Arc can be made through a spatial framework that links homes, jobs and infrastructure and takes proper account of constraints, opportunities and ambitions in the various sub-areas.
- 3.15 The new standard method results in a LHN of 3,009 dwellings pa compared to 1,837 pa under the current standard method (64% uplift). This appears to be because:
- a. The Government has used either 0.5% of existing stock or 2018 household projections for the baseline (whichever is higher). The JPDU has no issue with a baseline using % of existing stock as this is a matter of fact and will ensure that all local planning authorities make some contribution to national housing targets. In contrast, household projections reflect past levels of growth which will have been enabled or constrained by rates of housing delivery. Using these as minimum benchmark would therefore "bake in" previous performance, ensuring that places such as North Northamptonshire that have accommodated significant housing growth must continue to do so, and places that have under-delivered can continue to do so.
  - b. The 2018 household projections are lower for many parts of the country than the 2014 projections. To ensure the national target of 300k pa is met, this has necessitated a formula that makes a significant upward adjustment of the baseline, without the previous 40% cap (the formula actually results in 337k pa). In NN the 2018 household projections (1,826 pa) are in fact higher than the 2014 projections (1,502 pa) due to projecting forward past rates of household growth that were enabled by strong housing delivery. The result is that NN starts from a high baseline and then gets the significant upward adjustment contrived to deliver the overall national target.
  - c. The scale of the upward adjustment is based on current levels of affordability (ratio between median incomes and house prices) and changes in affordability over the past 10 years. Housing in NN is relatively affordable compared to anywhere else in the Ox-Cam Arc (the 2018 Lloyds survey of the most affordable commuter towns within an hour of central London put Wellingborough 1<sup>st</sup> and Kettering 3<sup>rd</sup>). The area consequently accommodates substantial in-migration, which accounts for over half of the new households predicted in the area 2011-2031 (JCS household

projections<sup>1</sup>). However, the standard methodology does not take any account of the relative affordability of places as referred to in the White Paper (see 3.14 above), using only measures of local affordability. While local house prices are affordable in the context of the Arc, median household incomes in NN are relatively low and have not kept pace with house price inflation. Consequently, the ratio of median house price to median earnings in NN has worsened from (averages of the 4 LPAs) 5.9 in 2009 to 7.6 in 2019 (see Appendix 2). This results in a 65% upward adjustment of the baseline housing requirement.

- 3.16 The standard method is simplistic in its assumptions that declining levels of affordability are due solely to under-supply of housing; that requiring LPAs to release more land will result in more homes being built; and that this will limit price inflation. This is clearly not the experience in NN, where high levels of housing delivery have been achieved, substantial amounts of housing land are committed in Local Plans and planning permissions, but affordability based on local incomes has worsened.
- 3.17 Corby is a case in point. It has been the second fastest growing local authority outside London (ONS population growth 2013-18) yet has also seen the 3<sup>rd</sup> highest level of house-price inflation in the year to April 2020 (Land Registry). This must be partly due to the ongoing regeneration of the town making it more attractive to moving households. Local incomes have not kept pace with rising house prices, resulting in deteriorating affordability to local households, but not for the reasons anticipated in the standard method (constrained supply).
- 3.18 At April 2018, there were planning commitments (allocations and permissions) for over 37,000 new homes across NN. The pace at which this capacity is developed is determined largely by national economic conditions and there is no evidence to support the view that releasing additional land will result in accelerated delivery or a significant reduction in the cost of new housing.
- 3.19 The issue of affordability for existing NN households will not be addressed by increasing the amount of land available for market housing. Households on the councils' housing needs registers are priced out of the private housing market by virtue of relatively low or insecure incomes and/or lack of savings for a mortgage deposit. They require bespoke affordable housing products such as rent-to-buy in order to access home ownership. This, coupled with opportunities for higher paid employment (as sought by the JCS focus on higher skilled jobs) will be the most effective way of improving the affordability of market housing.
- 3.20 It is recommended that the above analysis should inform the JPC's response to the consultation on the new standard method, including the specific questions included in the consultation document at Appendix 1.
- 3.21 NN is not alone in seeing its LHN significantly inflated by the proposed new standard method. The JPDU will liaise with other local planning authorities to identify any further issues to include in the consultation response.

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<sup>1</sup> [http://www.nnjpu.org.uk/docs/Background%20Paper%20June%202011\(1\).pdf](http://www.nnjpu.org.uk/docs/Background%20Paper%20June%202011(1).pdf)

**Delivering First Homes**

3.22 **First Homes** are sold at a discount to market price for first time buyers, including key workers. Following a consultation on the First Homes proposals in February 2020 the Government has published its response and is now consulting on the detail of the proposals. This includes setting a requirement that 25% of all affordable housing secured through developer contributions should be 'First Homes' and consulting on options for the remaining 75% of affordable housing secured through developer contributions. It is also seeking views on transitional arrangements, levels of discount, the interaction with the Community Infrastructure Levy and how Government proposes First Homes would be delivered through exception sites.

*Implications for North Northamptonshire*

3.23 It is recommended, that the JPC objects to the proposed 25% 'First Homes' requirement on the basis that this is overly prescriptive and does not address local housing needs. The proposal seems to prescribe what to deliver in terms of affordable housing tenures, rather than allowing local authorities to set local targets based on local knowledge and evidence. It could have significant impacts on the delivery of shared ownership. As a consequence, unless prospective buyers have access to a sufficient deposit, they are unlikely to be able to access this product. Products such as Rent to Buy and Rent Plus, where applicants do not need a deposit, are more accessible to low income households than First Homes or other low-cost home ownership tenures which do.

**Supporting small and medium-sized developers**

3.24 The consultation includes **proposals to temporarily lift the small sites threshold below which developers do not need to contribute to affordable housing**, to up to 40 or 50 units to support SME builders as the economy recovers from the impact of Covid-19 for an initial 18-month period. In designated rural areas, the consultation proposes to maintain the current threshold. It also seeks views on whether there are any other barriers for Small and Medium Enterprises to access and progress sites.

*Implications for North Northamptonshire*

3.25 The proposal to temporarily raise the national threshold for affordable housing from 15 dwellings to at least 40 dwellings would set a dangerous precedent. Even for a limited period, this could greatly reduce the scope to negotiate affordable housing provision; particularly at a neighbourhood (non-strategic) level and reduce the amount of affordable housing delivered. It is unclear where the evidence that affordable housing is stopping SME builders from accessing sites (rather than land value and competing with larger developers) is derived from.



**Extension of the Permission in Principle consent regime**

- 3.26 **Proposals** are set out to **extend the Permission in Principle to major development** so landowners and developers now have a fast route to secure the principle of development for housing on sites without having to work up detailed plans first. The proposed threshold would be increased to cover sites suitable for major housing-led development, rather than being restricted to just minor housing development.

*Implications for North Northamptonshire*

- 3.27 The proposal to allow major developments (i.e. those >9 dwellings or 1000m<sup>2</sup> floorspace) to be brought forward through permission in principle could reduce the ability of local authorities to effectively manage development. Further input will be sought from Development Management colleagues and Chief Planners to inform the response on this aspect of the consultation.

**4. CONCLUSION**

- 4.1 The proposed changes to the current planning system have very significant implications for North Northamptonshire. This report focuses on proposed revisions to the standard methodology for calculating Local Housing Need (LHN). This response will be framed within NN's positive record in accommodating new development and its ambition to continue delivering a nationally significant level of growth as part of the Ox-Cam Arc. However, it is recommended that the JPC should raise objections to the proposed standard method because, as it stands, the impact would be to reward NN for accommodating significant growth and achieving regeneration that makes the area more attractive, with an undeliverable LHN that could prejudice the preparation of the NN Strategic Plan and create challenges in maintaining a 5 year supply of deliverable housing sites.
- 4.2 The report also provides a brief overview of the other elements of the consultation with a short commentary on their implications. Given the consultation still has a number of weeks to run, and understanding of the implications of the proposals is still evolving, delegated authority is sought for the Head of the JPDU, in consultation with the Chairman and Vice-Chairman, to submit a response on behalf of the Joint Planning Committee by the 1<sup>st</sup> October deadline. This will be developed with officers from the partner LPAs, taking account of feedback from the Committee on the content of this report. A copy will be provided to members of the Committee.

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5. **RECOMMENDATION**

- 5.1 The Head of the North Northamptonshire JPDU recommends that the Joint Committee provides feedback on the content of this report and gives the Head of the JPDU, in consultation with the Chairman and Vice Chairman, delegated authority to finalise the Joint Committee's consultation response.

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