

## RESPONSE TO GOVERNMENT CONSULTATION: CHANGES TO THE CURRENT PLANNING SYSTEM

<b>Cabinet Member(s)</b>	Councillor Keith Burrows
<b>Cabinet Portfolio(s)</b>	Cabinet Member for Planning and Transportation
<b>Officer Contact(s)</b>	Julia Johnson and Prag Shah, Planning Policy
<b>Papers with report</b>	Appendix 1 - Proposed Consultation Response

### HEADLINES

<b>Summary</b>	This report summarises the key changes to the current planning system proposed by central Government through their consultation paper 'Changes to the Current Planning System' and seeks approval for submission of a consultation response on behalf of the Council.
<b>Putting our Residents First</b>	<p>This report supports the following Council objectives of: <i>Our Natural Environment; Our Built Environment; Our Heritage and Civic Pride</i> by considering how they will be impacted by the proposed changes to the current planning system.</p> <p>It will also have implications for the delivery of the Local Plan and other strategies particularly those relating to housing.</p>
<b>Financial Cost</b>	There are no direct financial implications arising from the recommendations to this report.
<b>Relevant Policy Overview Committee</b>	Residents', Education and Environmental Services
<b>Relevant Ward(s)</b>	All

## RECOMMENDATIONS

### That the Cabinet:

1. **Notes the content of the ‘Changes to the Current Planning System’ and endorses, in principle, the Council’s proposed response attached at Appendix A of this report**
2. **Grants delegated authority to the Deputy Chief Executive and Corporate Director of Residents Services to make any final changes to the response before submission, in consultation with the Leader of the Council and Cabinet Member for Planning and Transportation.**

### Reasons for recommendation

The Government is consulting simultaneously on longer term fundamental reforms to the planning system and more immediate changes to national planning policy. This report focuses on these more immediate changes which are likely to have a significant impact on the delivery of affordable housing in the Borough, as well as housing delivery overall subject to the final publication of the London Plan. Given these changes will come into effect within the next few months, it is important that the implications for Hillingdon are fully assessed and a detailed response provided to represent the interests of our residents.

### Alternative options considered / risk management

To not submit a consultation response. It is considered important to represent the views of Hillingdon residents and ensure that the Government has the opportunity to take these into account before the changes to the current planning system are finalised.

### Democratic compliance / previous authority

Responses to key central Government consultations ordinarily require Cabinet approval, as set out in the Cabinet Scheme of Delegations.

### Policy Overview Committee comments

None at this stage.

## SUPPORTING INFORMATION

### Background

1. The Government has recently implemented significant changes to the current planning system through amendments to the General Permitted Development Order and Use Classes System which will be implemented at the beginning of September. It is now proposing further changes to the planning system via the ‘Changes to the Current Planning System’ consultation paper. The rationale behind the changes is to aid economic recovery and boost housing delivery. They are likely to stay in place until a more extensive reform

of the planning system takes place as outlined in the separate 'Planning for the Future White Paper' consultation, which will be presented at a later Cabinet meeting.

## Summary of the Proposed Changes

A summary of the key proposed changes that are likely to affect Hillingdon is presented below. Each change will then be explored in further detail with the potential impact on the London Borough of Hillingdon discussed.

1. An adjustment to how housing needs for the Borough are calculated, resulting in a much higher overall housing need figure for Hillingdon and London as a whole.
2. The introduction of First Homes as a required form of affordable housing, accounting for 25% of all affordable housing delivered on a scheme. First Homes offer a 30% discount on market housing and are aimed at first time buyers as a route to home ownership.
3. Temporarily lifting the threshold at which affordable housing can be sought from housing schemes from 10 units to 40 or 50 units and from 0.5 hectares to an as-yet undecided site size.
4. Extension of Permission in Principle to major housing-led developments.

These changes are proposed as a short-term measure until a fundamental reform of the planning system takes place, as proposed in the Government's 'Planning for the Future White Paper'.

## Revisions to the Housing Need Methodology

2. A revised method for calculating housing needs (The Standard Method) for a local authority area was introduced in 2018 to simplify the process. However, this method has not yielded the results the Government planned. In an effort to significantly boost housing supply, a new method has been proposed which ties into proposals set out in 'Planning for the Future White Paper' to set binding housing requirements for local authorities in the future.
3. The new standardised approach uses data on existing dwelling stock in the local authority area or household projections to determine the baseline level of housing need, going with the data source that yields the highest housing needs figure. Previously only household projections formed part of the formula. As done previously, the baseline figure is then adjusted to account for affordability in the area. However, the new approach also puts a greater emphasis on raising housing requirements to account for affordability of housing in a local authority area and seeks to ensure that people can afford to live where they work by using workplace-based data on affordability rather than residency-based data. It also removes a cap that was in place to limit housing needs figures for local authorities with an up-to-date local plan, which prevented sudden dramatic and undeliverable shifts in housing targets.
4. These changes have resulted in housing needs figures being much greater than under the previous method. Nationally, the figure if calculated today would result in a need of 337,000 homes a year - up from 270,000 under the current approach. There is greater distribution of housing across England, however, growth is still concentrated in Greater London with a housing need figure of 93,532 under the new proposed approach, up from 56,023.

5. Under the new method, Hillingdon's housing need figure would rise to 2,026 new dwellings per year based on housing projections data. This compares to 783 new dwellings per year under the current method. Average delivery in the Borough between 1 April 2016 and 31 March 2019 was 933 new dwellings per annum. This shows the new method, if used, would raise Hillingdon's figure significantly beyond our identified capacity. However, it is important to emphasise that when the new London Plan is adopted, the housing targets set out there (1,083 new homes per year) will represent Hillingdon's housing target until the Government's longer-term planning reforms are implemented. The adoption of the new London Plan remains subject to negotiations between the Mayor and the Secretary of State and no updates are currently available.
6. The 'Planning for the Future White Paper' proposes to make further changes to the methodology for calculating housing requirements, with nationally-set local housing requirements. This will seek to distribute over 300,000 homes per annum across local authorities, taking into account constraints such as Green Belt, flooding and other factors. As such, these proposals in the Government's 'Changes to the Current Planning System' are likely to undergo revision again over the next few years.
7. Although Hillingdon will not have to plan for this requirement in the short-term once the new London Plan is agreed and published, it is still considered important to highlight some potential issues with the proposed methodology. Furthermore, if the new London Plan did not progress, the new need figure would then be used to determine Hillingdon's performance against the Housing Delivery Test, where underperformance can ultimately impact on the presumption in favour of sustainable development and the application of the tilted balance in favour of increased housing delivery.

### **Summary of the Council's Consultation Response - Questions 1 to 7**

8. The Council supports the intentions of the revised approach to housing need to reduce volatility and to boost numbers in areas with low projections. The inclusion of a stock-based minimum would seem to ensure that each area of the country contributes proportionately to the overall need - referred to by others as a 'fair share' approach. The additional factoring in of average household projections over a 10-year period then allows account to be taken of local population growth over a longer period. For Hillingdon, the need figures generated using these numbers are close to the Borough's recent housing targets and close to our housing delivery numbers. The key issues of concern arise when the proposed affordability ratio is applied and the cap preventing undeliverable increases is removed, which raises Hillingdon's need figure from 776 to 2,026.
9. The affordability ratio creates very high needs figures across London and the South where land supply is most constrained. The figure of 93,000 generated for London is more than twice the historic delivery rates for London and a third higher than the housing delivery target of 56,000 in the proposed London Plan. It is also higher than the housing target of 66,000 previously proposed in the new London Plan, which was lowered by the panel of examining Planning Inspectors for being undeliverable.
10. Whilst it is unlikely that Hillingdon will be impacted by this new method for calculating housing needs subject to the final publication of the new London Plan, this is not currently

confirmed. It is therefore proposed that the Council, through its consultation response, ask the Government to consider further adjustments to the housing needs calculation to take into account past delivery figures and existing densities as a potential cap.

## First Homes

11. First Homes will be a new affordable housing product which offers market homes at a 30% discount rate to first-time buyers, key workers and certain other specific groups identified by the local authority. The Government consulted on the introduction of First Homes in February 2020 and is now proposing how to fit them into the planning system.
12. The Government is proposing that a minimum of 25% of all affordable housing units secured through developers contributions should be First Homes. Initially these would be secured through Section 106 planning obligations before the proposed reforms outlined in the 'Planning for the Future White Paper' are implemented. It is expected that these would be delivered on site. f
13. The Government intends that First Homes will be prioritised over any other affordable home-ownership products referred to in any tenure mix set out in development plans. However, the intention is to capture the same value of affordable housing that pre-First Homes policies would require. Local authorities have the option to increase the 30% discount on market price for First Homes to 40% or 50%, although such a change would need to go through the local plan-making process. The requirement for a minimum of 25% of units onsite to be First Homes would remain in place in the interim.
14. The Government is also asking whether First Homes should be excluded from Build-to-Rent developments and other alternative housing products, such as student housing, homes for the elderly, etc. This is a necessity as, from a more practical perspective, First Homes would not work in these types of development.
15. It should also be noted that there will be an additional administrative requirement on the local authority to allocate First Homes. Local authorities will need to identify and prioritise those who are eligible, as well as then through ongoing monitoring as units are sold on overtime.
16. Hillingdon's recently adopted Local Plan Part 2 requires a minimum 35% of all new homes on sites of 10 or more units to be delivered as affordable housing, with a tenure split of 70% Social/Affordable Rent and 30% Intermediate (Shared Ownership and London Living Rent). Under the proposed changes, 25% of the affordable housing delivered would be required to be First Homes. As a type of intermediate product, First Homes would replace the majority of the Shared Ownership and London Living Rent currently required. The remaining 70% would be made up of Social and Affordable Rent.
17. Further work would be necessary to create a precise new affordable housing tenure mix requirement which incorporates the 25% First Homes requirement and ensures that the new affordable housing requirements capture the same value of market rate discount as under the previous policy requirements.

## Summary of the Council's Consultation Response - Questions 8 - 16

18. The Council is broadly supportive of the Government's proposals for the introduction of First Homes, provided the Council retains the option to determine the remaining affordable housing requirements on each site in accordance with its existing Local Plan policies.

### Affordable Housing Threshold

19. The Government is also considering raising the threshold for affordable housing contributions, with the intention being to stimulate economic recovery by targeting SMEs who the Government consider would be most likely to benefit from the lower developer contributions.

20. The Government has suggested raising the threshold after which affordable housing contributions would be sought from sites of 10 or more homes to sites of either 40 or 50 homes. The Government has estimated that for a threshold of up to 40 units a reduction of between 7% and 14% of Section 106 affordable housing delivery over a single year would be expected, assuming overall housing delivery remained constant. For a threshold of up to 50 units, this would be between 10% and 20%.

21. Additionally, the Government is proposing raising affordable housing contribution thresholds based on site size from 0.5ha to an as yet undecided size, with the intention for it to be proportionate to the threshold based on the number of new homes.

22. The Government's reasoning behind this proposed change is that these changes would make more sites viable for SME developers and would increase the pace of their delivery, as the need for negotiation would be removed. The Government has stated that this proposed change would be for an initial 18 month period, during which its effect would be monitored. It is therefore possible that it could be extended.

23. The Government has recognised that some developers may seek to avoid affordable housing contributions on larger sites by bringing forward developments in phasings of no more than 40 or 50 units at a time. The Government has stated that to minimise the impact of this potential threshold effect, they will set out planning guidance on how local planning authorities can secure contributions for affordable housing where it is apparent that a larger site is being brought forward artificially in small stages.

24. Over the last few years, most of Hillingdon's affordable housing delivery has come from larger developments (over 40 homes), however, a significant proportion also comes from smaller schemes. Between 1st April 2015 and 31st March 2019, approximately 15% of homes delivered in the Borough were affordable homes and 24% of the affordable homes delivered came from development schemes of less than 40 units. Were this pattern to continue over the next few years, the potential loss of affordable housing locally in Hillingdon could be greater than the 7-14% the Government has predicted.

## Summary of the Council's Response to Questions 17 to 23

25. The Council has concerns about the potential impact of increasing the affordable housing threshold on sites across the Borough and has evidence that sites of these continue to be able to deliver affordable housing either on site or through payments in lieu. The Council believes that sufficient flexibility already exists to determine the viability of affordable housing on all sites and that it is not necessary to introduce this mandatory increase in the threshold. The Council is at risk of losing up to a quarter of its affordable housing delivery as result of this change and this would have a detrimental impact on meeting the needs of Borough residents.

### Permission in Principle

26. The final section of the Government's consultation paper on reforms to the current planning system focuses on extending Permission in Principle (PiP) applications from minor to major housing-led developments. This would open up the potential for gaining PiP to many more sites than at present.

27. PiPs were first introduced by the Government in 2017. PiP is not a planning permission, it is part one of a two stage process that grants planning permission. Part 2 is a technical details consent which must also be approved before any development can go ahead. The process is designed to separate decision making on 'in principle' issues i.e. land use, location, and scale of development from matters of technical detail, such as the design of buildings, tenure mix, transport and environmental matters. Essentially, it provides an opportunity to gain certainty on the value or potential of a site without the need for seeking planning permission. Only five PiPs have been sought in Hillingdon however, to date, all such applications have been refused.

28. The intention of the Government is to support the economic recovery by making it easier for more landowners and developers to bring forward smaller sites not allocated in Local Plans through the PiP route. The key changes proposed to the current process can be summarised as follows:

- a. extending the scope of the current Permission in Principle by application route to major development (not subject to EIA or habitats assessments);
- b. enhancing the information requirements and publicity arrangements for these applications;
- c. introducing a revised fee structure, at lower cost, to incentivise their use;
- d. including automatically any Permission in Principle granted onto Part 2 of the local brownfield land register; and
- e. strengthening guidance to support implementation.

29. The majority of these changes are intended to make the PiP process more attractive to smaller developers. However, the changes also have implications for the Council through enhanced publicity requirements, a reduction in fee income and the likelihood of more stringent guidance on the matters than can be taken into account at this stage.

## Summary of the Council's Consultation Response to Questions 24 to 32

30. The Council recognises the need to support the small and medium size house builders in the Borough. However, the Council does believe that changes to the PiP process are not necessary to achieve this goal as there are a variety of routes that already exist for developers to seek guidance on the suitability of major developments for a particular site e.g. pre-application advice or outline planning permission. The Council believes that these existing processes have the added benefit of building a collaborative relationship with developers, in order to bring forward sites in the most suitable form for the local area. If such measures are to be brought forward, the Council would welcome an approach that minimises the additional administrative burden on the Council, retains an appropriate fee level, keeps the process focused on the principle of development and ensures that the Council retains the ability to consider all matters it believes are pertinent to particular application.

### Financial Implications

Approval is sought for the proposed consultation response to the Government in regard to the 'Changes to the Current Planning System' paper and so there are no direct financial implications arising from the recommendations to this report. It is not possible to quantify the potential financial impact on planning fee income or in lieu payments for affordable housing at this time and so further analysis and evaluation will be required following the outcome of this consultation.

## RESIDENT BENEFIT & CONSULTATION

### The benefit or impact upon Hillingdon residents, service users and communities?

The changes proposed to the current planning system could have a direct impact on all aspects of the natural and built environment in Hillingdon. The proposed changes will therefore have a significant impact upon residents, businesses, service users and all members of Hillingdon's communities.

### Consultation carried out or required

The Government has published this consultation for responses by the 1st October 2020. No guidance on the timeline for implementing these changes has been provided.

## CORPORATE CONSIDERATIONS

### Corporate Finance

Corporate Finance has reviewed the report and concur with the Financial Implications set out above, noting that there are no financial implications arising from the report recommendations.

## Legal

The Borough Solicitor confirms that the legal implications are contained in the body of the report. Further, more detailed legal advice will be given as necessary once the outcome of the Consultation is known.

## BACKGROUND PAPERS

Changes to the current planning system - Consultation on changes to planning policy and regulations

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