

Report to	Sustainable development panel 16 January 2019	Item
Report of	Director of regeneration and development	4
Subject	Government Technical Consultation on Assessing Housing Need and Feedback from Letwin Review	

Purpose

To inform members about the council's submitted response to a government technical consultation on national planning policy and guidance, and about the final report of the Letwin Review into the build out rate of new homes on very large sites.

Recommendation

To note both the council's response to the government's technical consultation, and the contents of the Letwin Review.

Corporate and service priorities

The report helps to meet the corporate priority a prosperous and vibrant city, and a healthy city with good housing.

Financial implications

None

Ward/s: All Wards

Cabinet member: Councillor Stonard - Sustainable and inclusive growth

Contact officers

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Background documents

None

Report

1. This report provides an update on the government's proposals for assessing housing need set out in a recent government technical consultation. It also informs members about the conclusions of a report by Oliver Letwin which recommends ways of increasing the rate of delivery ('build-out') on very large sites.

New technical consultation on assessing housing need

2. Members will recall that a [report](#) was taken to October Sustainable Development Panel on strategic planning and housing issues. This explained that a new standard methodology for assessing housing needs was introduced following the publication of the revised National Planning Policy Framework (NPPF) in July 2018. The government's aim in designing this methodology was to identify an appropriate level of need in a straightforward, transparent way.
3. The effect of applying the new standard methodology (which is based on new 2016 household projections) has been a significant reduction in the level of local housing need nationally and locally. Norwich's need, calculated according to the new methodology, has reduced by 32% to 406 units per annum. Nationally, housing need has reduced by about 20% to 214,000 units per annum and is 86,000 units less than the government's stated delivery target of 300,000 homes per annum. The report noted that the government was expected to consult on changes to the standard methodology in late 2018/early 2019 to address this situation.
4. The government commenced a new consultation on 26 October, which ended on 7 December 2018. The government states in the document that the need to provide stability and certainty for local planning authorities and communities is a key principle underpinning the consultation.
5. The consultation document proposes that, for the short-term, the 2014-based household projection data will provide the demographic baseline for the assessment of housing need rather than the 2016 data. It states that in the longer term the methodology will be reviewed with a view to establishing a new method that will provide stability and certainty, is more responsive to local affordability as well as population and household growth, and that planning policy will support a housing market that works for everyone. The use of the standard method will apply to plan-making for plans submitted for public examination from 24 January 2019 (the resulting housing need figure can be relied upon for purposes of plan examination for 2 years) and for decision making any proposed revisions will apply from the date of publication of the revised planning practice guidance.
6. It is clear that the government has had to act quickly to respond to many concerns about the implications of the new methodology for assessing housing need. As noted in the October committee report, use of the 2016 data resulted in many anomalies including minimal or negative need figures for cities like Oxford and Cambridge with acute housing shortages. Although the government stresses that the resulting housing need is a minimum figure and can be increased by local authorities, the new methodology has had the opposite of the government's desired effect in that it has reduced certainty for planners,

developers and communities, and is generally considered not to be a true reflection of housing need (which also includes the need for affordable housing).

7. The government intends to publish updated planning guidance on housing needs assessment, and a new version of the NPPF incorporating the proposed policy clarifications. The consultation document proposes several consequential amendments to the NPPF to reflect the proposals relating to the assessment of housing need, including clarification that the standard method as set out in national planning guidance should be used in assessing whether a 5 year land supply exists, and amends the definition of local housing need to again reflect the standard method set out in the planning guidance.
8. The consultation document also proposes to amend the definition of what is considered 'deliverable' to clarify that sites that are not major development and which only have outline consent are in principle considered to be deliverable. This is a minor, but helpful, clarification.
9. The following response was made to the technical consultation prior to the deadline on 7 December:
 - The technical consultation is essentially a temporary 'fix' of an ill-considered policy change. It is unclear what the timescale is for developing a new formula for assessing need. Although the interim proposal would appear to be a workable short-term solution, the council would like to see consultation on a revised formula for assessing housing need published and finalised as soon as possible, in order to provide greater certainty for the development industry, local government, and local communities. The introduction of the new standard methodology followed quickly by the proposed interim solution has resulted in uncertainty for both plan-making and decision-making. Consultation on an acceptable new approach to assessing housing need should be brought forward as a priority to enable greater certainty for all relevant parties. The council is however sceptical that it will be possible to develop a suitable methodology to achieve this and which will be capable of facilitating the delivery of appropriate levels of housing to meet need, and would urge the government to re-introduce an effective system of strategic planning.

Independent review of build out rates

10. The final report of Oliver Letwin's ['Independent Review of Build Out'](#) was published in October.
11. The review's terms of reference were to "explain the significant gap between housing completions and the amount of land allocated or permissioned in areas of high housing demand, and make recommendations for closing it." The review focused on larger sites as it considered the 'build-out' rates likely to be intrinsically quicker for small sites than for larger sites. It also notes that there is concern expressed about major house builders 'land-banking' and causing 'intentional delay'.
12. A Draft Analysis published in June 2018 found that the median build out rate for the large sites investigated was 15.5 years. It concluded that the homogeneity

of the types and tenures of the homes on offer on these sites, and the limits on the rate at which the market will absorb them, are the fundamental drivers of the slow rate of build out.

13. The Final report sets out recommendations about ways in which the government could increase variety and differentiation of what is offered on large sites, raise the proportion of affordable housing, and raise the rate of build out. It recommends that the government should:

- adopt a new set of planning rules specifically designed to apply to all future large sites (initially those over 1,500 units) in areas of high housing demand, requiring those developing such sites to provide a diversity of offerings, in line with diversification principles in a new planning policy document; and
- establish a National Expert Committee to advise local authorities on the interpretation of diversity requirements for large sites and to arbitrate where the diversity requirements cause an appeal as a result of disagreement between the local authority and the developer.
- provide incentives to diversify existing sites of over 1,500 units in areas of high housing demand, by making any future government funding for house builders or potential purchasers on such sites conditional upon the builder accepting a Section 106 agreement which conforms with the new planning policy for such sites;
- consider allocating a small amount of funding to a large sites viability fund to prevent any interruption of development on existing large sites that could otherwise become non-viable for the existing builder as a result of accepting the new diversity provisions.
- introduce a power for local planning authorities in places with high housing demand to designate particular areas within their local plans as land which can be developed only as single large sites, and to create master plans and design codes for these sites which will ensure both a high degree of diversity and good design to promote rapid market absorption and rapid build out rates;
- give local authorities clear statutory powers to purchase the land designated for such large sites compulsorily at prices which reflect the value of those sites once they have planning permission and a master plan that reflect the new diversity requirements; and
- also give local authorities clear statutory powers to control the development of such designated large sites through either of two structures:
 - i) use a Local Development Company (LDC) to provide a masterplan and design code for the site and bring in private capital, before 'parcelling up' the sites and selling to a range of builders / providers; or
 - ii) establish a Local Authority Master Planner (LAMP) to develop a masterplan and design code, and then enable a privately financed Infrastructure Development Company (IDC) to purchase the land from

the local authority, develop the infrastructure for the site, and promote the same variety of housing as the LDC model.

14. The latter recommendation to enable the establishment of LDCs and LAMPs would, if enacted, offer local authorities the potential to proactively plan larger sites, and may lead to new funding opportunities.
15. Norwich currently does not have any individual very large (ie 1500+ units) sites allocated in the 2014 Site Allocations and Site Specific Policies Local Plan, although the east Norwich allocations represent a significant number of units if considered together. The implementation of the report's recommendations could have positive implications for the planning and delivery of large sites allocated in the Greater Norwich Local Plan, currently in preparation.
16. However implementation of the report's recommendations will be dependent on government introducing new primary and secondary legislation, for example in order to adopt a new set of planning rules for large sites and in relation to establishment of new development vehicles. The government has indicated that it will take some time to consider the recommendations in the report in order to determine next steps.
17. In conclusion, the Letwin Report effectively acknowledges that market forces alone have not been delivering enough new homes to meet need, and signals a strengthening of public sector planning. The recommendations to give enhanced powers to local authorities to proactively achieve development are welcomed. The need for greater diversity in home type and tenure is accepted but this should also apply to a wider range of sites, not just to very large sites.