

## **Changes to the Current Planning System: Consultation Response**

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**September 2020**

I write in response to the “Changes to the Current Planning System” consultation currently underway by the Ministry of Housing, Communities and Local Government and, specifically, the changes to the standard method for assessing housing numbers in local plans. Having reviewed the consultation document, and the changes proposed therein, I have a number of comments which I would like to raise for consideration.

As the Member of Parliament for North East Derbyshire, I represent a constituency which has suffered from serious and significant planning issues in the last decade, all stemming from the strategic failure of the previous District Council (who cover most of the constituency) to put in place a workable and protective local plan for the long term. A new council administration, elected in 2019, is now trying to improve the plan, at this very late stage in the process prior to implementation.

As a constituency, North East Derbyshire stretches from the edge of the Sheffield conurbation, around the town of Chesterfield, lapping the edge of the Peak District National Park and containing a substantial proportion of Green Belt – Green Belt that performs a longstanding strategic function to prevent urban sprawl from Sheffield eroding the strategic gap which separates Sheffield from some of the District’s northern towns at points, and is of vital importance to local residents. The combination of seeking to load a “growth” scenario as a housing target, and the failure to complete the local plan process in a timely fashion, has led to speculative applications for over 1,000 houses in parts of the constituency at the same time as earlier versions of the draft local plan sought to remove Green Belt land for over 1,200 more.

Consequently, planning has been one of the most challenging and recurring issues within the constituency since I was elected in 2017, with local residents frustrated by speculative development, over-building and the lack of strategy shown by the previous Council leadership. As such, I hope we have some insight into the views of an area which accepts, in both principle and reality, that more houses should be built whilst, at the same time, has already contributed substantially in that regard – and simply wants a stable, fair and proportionate approach to planning and housebuilding.

Having reviewed the proposed changes to the methodology, it does appear that this proposal could have a significant impact on housing numbers in future local plans for areas such as North East Derbyshire. According to figures associated with the consultation, an increase in housing need of over two-thirds (from around 250 to 420 houses per annum) could be mandated in an area where average house prices remain significantly (over £40,000) lower than the national average.

Given the above, I would like to highlight a number of areas which merit further consideration before any new method is adopted by the Government. These are:

- That the consultation document does not clarify how the revised housing need interacts with an area’s overall housing requirement, particularly when that area has substantial land constraints such as Green Belt;
- That I remain of the view, even before this consultation, that greater local involvement in the evaluation of local housing need is preferable;

- That the reliance on the ONS household projections, which simply project past trends into the future as a basis for establishing housing need, may not reflect the reality of what individual areas require;
- That the affordability adjustment proposed may not be the optimal method of assessing actual affordability in an area, and;
- That the proposed new method may over-amplify particular key pieces of data which may, again, not accurately reflect the reality of housing need in a local area.

Based on the above, I would ask the Ministry of Housing, Communities and Local Government to carefully review the above issues and evaluate whether changes can be made to the approach. I have suggested some possible areas for consideration below:

**Further clarity required on how land constraints will be accounted for**

This consultation on the new standard method for housing need carries added importance due to the Government's intention that the method will form part of the process for setting a binding housing requirement in the future. We are yet to hear about how land constraints, such as Conservation Areas, National Parks and the quantity of Green Belt in our District, will inform any binding housing requirement – a critical part of understanding the actual likely impact on a constituency such as North East Derbyshire.

It is currently the case that land constraints are considered in subsequent stages of the plan making process, rather than in the housing need methodology. Yet, with the proposed broader changes in the *"Planning for the Future"* document it is not clear how potential land constraints are likely to be accommodated in any future plan making process – and it is vital that proper accommodation is given at the earliest practical stage of the process. Nearly 40% of North East Derbyshire is Green Belt land which rightly imposes heavy constraints on housebuilding. There is, frankly, little point debating housing numbers proposed by this standard method if it is likely that they are to be substantially revised down (which I hope will be the case) – yet we do not have clarity about whether that is likely to be the case based on this consultation alone. I would ask the Department to clarify the likely future interaction of any new method with the later process in this regard so Districts such as North East Derbyshire can make a clear assessment, at this stage, of the likely real-world implications when they next come to draft a local plan.

**The continuing need for greater local involvement in the setting of targets**

Whilst I understand the rationale for the Government providing a national standard method for the calculation of housing need (and that this principle was already established several years ago), it remains my view that such calculations remain more appropriately undertaken with greater local involvement.

It has always seemed to me that the introduction of a standard method sought to treat a symptom of a problem, rather than the underlying cause. If local Councils are unable or unwilling to agree appropriate, local-based targets in a timely fashion, there are a variety of other options open to the Government to resolve those individual issues without the use of a standard methodology which impacts every single local authority in the country. For those Councils who are willing to show the strategic leadership to deal with planning – and my view is we now, finally, have a District Council who are – I remain of the view that the ability to determine overall housing need should have greater local involvement.

### **Projecting past trends forward is not necessarily the most useful assessment of actual future housing need**

The core element used to calculate housing need, both within the existing method and the proposed new one, remains the use of ONS household projections – which, essentially, are the extrapolation of past trends forward into the future without significant context being applied. I would encourage this consultation to take the opportunity to review the use of this input and assess whether alternative proxies can be used instead.

Past trends are a complicated mix of market demand, local authority decisions (or the omission of those decisions) and broader regional trends, which, in a highly regulated and nationalised system such as planning, are ultimately often based upon political decisions. The potential increase in requirement for housing in North East Derbyshire comes not necessarily from traditional market signals or demand but, instead, from ONS data that projects greater internal migration into the District / constituency in the future simply because it has happened in the past. That greater internal migration is driven, at least in part, by planning policies elsewhere including, for example, the failure of the Sheffield region to provide adequate housing for its population (resulting in a net outflow of over 1,500 households each year). Whilst, no doubt, a proportion of those migrating into the area is due to personal choice, at the same time, North East Derbyshire is effectively being penalised, as an area with lower house prices than equivalent parts of Sheffield (with detached houses being around 11% cheaper), because it is in commuting distance of a city which has failed to adequately accommodate its population in recent decades.

The continuing use of ONS internal migration trends, therefore, creates the perception of demand which may be more adequately, more greenly and more appropriately housed near their ultimate current location. Again, there is an element of treating the symptom rather than the cause with this approach to the methodology. If we are to achieve sustainable development, then greater attention should be given to the provision of housing closer to major conurbations of economic activity.

### **Affordability data may not offer the most accurate view of actual need**

A key proposed change to the standard method is the further weighting given to affordability ratios within individual areas through both the removal of caps and the introduction of a second affordability assessment within the calculation itself. Given the centrality of its use, it is essential, therefore, that the right measure is used and it is the truest reflection of the actual ability to purchase a home within an area.

The proposed standard method calculates affordability based on a comparison of house prices in a District with median workplace-based earnings in that District. Whilst that may be appropriate for some parts of the country, for constituencies such as North East Derbyshire who have a high population of commuters (for reasons outlined above), that does not adequately reflect actual affordability within the area. The current affordability ratio for North East Derbyshire comparing District house prices with the median earnings of those working in the District is 7.17, whereas a comparison between the same house prices and the earnings of those living within the District is much lower (6.5). Ten years ago, there ratios were virtually the same, at 5.77 and 5.74 respectively – yet, the growth of commuting in the last decade has created a significant difference between these two signals. I struggle with the logic of using ONS data for internal migration, which is regionally-led, whilst not accepting that there are regional influences on earnings data which significantly changes the affordability ratio in the District and would, consequently, reduce the level of actual demand generated by the method.

I would also make the following additional comments:

- The affordability ratio treats all dwellings equally regardless of their size or type, as it looks only at the medium home. This means that an area's affordability is largely dependent on the composition of its housing, rather than how affordable any type of property is on average. For example, one area's medium house price could be a 2-bed flat valued at £180,000, whereas another area's medium house price could be a 4-bed semi-detached house at £190,000. If these areas had the same medium income then the former area would be deemed more affordable than the latter, which seems curious. A fairer measure of affordability between different areas would compare the affordability of (roughly) like for like properties - this data is readily available as the UK House Price Index already provides a breakdown by property type.
- The affordability measure is a ratio of median individual earnings to median house price, however, such a measure fails to account for the gains in affordability over recent decades for households as more households have multiple earners. Over the past ten years the number of working households, meaning households where all adults are in work, has risen from 53.7% of all households to 59.1%. For many people, purchasing a home may not be an individual endeavour but something undertaken with a partner who may also have an income. When mortgage providers assess whether house buyers can afford to buy a home, they do not look at a single income, but the combined income of those purchasing the home. An affordability measure which looks at the ratio of household incomes to house prices might be a more realistic measure of affordability.
- There appears to be an inaccuracy in the ONS Annual Survey of Hours and Earnings data for the year 2018 in North East Derbyshire which is a significant outlier to the preceding and following years. This figure could be a result of human error and in need of correction, or it could be correct and indicate a high year to year variability in the figures which would undermine the case for their use. Whatever data is eventually chosen, it needs careful review to ensure it is an accurate basis upon which to calculate need.

#### **Triple weighting of recent trends skews the real housing need**

The construction of the new standard method is heavily weighted upon a relatively small number of factors and some those factors are utilised more than once. More specifically, at the heart of the new calculation are migration patterns, which are effectively used in three separate places:

- Explicitly within the household growth projections for a local authority area;
- Implicitly through their impact on affordability ratios in the past, and;
- Implicitly through how the affordability gap has changed over recent years.

Whilst I understand the focus on migration (and the affordability ratios which are influenced by it), the amplification of migration and the affordability measure in multiple places in the calculation could be deemed as excessive. For areas with a high number of commuters, such as North East Derbyshire, we are effectively being penalised three times for political decisions taken by other Councils and over policy on which we have no influence. Very careful consideration of the implications of this element of the method is required before proceeding.