

# **NPF4 - Call for Ideas Housing Technical Discussion Paper**

Lichfields

Friday, April 24, 2020



61733/01/NWO/GT  
18434487v1



# Contents

<b>1.0</b>	<b>Introduction</b>	<b>1</b>
<b>2.0</b>	<b>Questions &amp; Responses</b>	<b>2</b>
	What is your view on the guiding principles..?	2
	Should NPF contain housing land figures for all areas in Scotland or focus on certain areas?	5
	Are there areas in Scotland where an alternative approach may be more appropriate?	5
	Should NPF provide a single housing land figure or a range?	5
	Is the HNDA Tool an appropriate mechanism to base housing land figures on?	6
	Should there be scope for local and planning authorities working together to reflect functional housing market areas that cross local authority boundaries? What approaches could be used to achieve this?	7
	Should NPF apply a level of flexibility to the HNDA tool results to ensure a proactive approach to managing the supply of land for housing in a positive way? Should the level of flexibility be informed by recent housing completions?	8
	Should NPF housing land figures be met in LDPs as a minimum?	8
	LDPs are moving to a ten year timeframe. Housing land audits generally programme land supply for a five year period. For LDPs to have a ten year land supply available upon adoption what mechanisms could be used to ensure land is brought forward in accordance with the LDPs spatial strategy?	8
	Should the Scottish Government play a role in the housing land audit process?	9

---



## 1.0 **Introduction**

1.1 Lichfields is pleased to provide our thoughts on the implications for housing land targets in NPF4. The Planning (Scotland) Act 2019 presents an opportunity to build upon the positive aspects of existing provisions for planning for enough homes in Scotland. It also presents an opportunity to rectify some of the shortcomings of current arrangements.

1.2 We have set out our representation in line with the questions in the discussion paper. We would welcome the opportunity to discuss these comments with the Scottish government if it would be of assistance.

2.0

## Questions & Responses

### What is your view on the guiding principles..?

**“Provide early clarity and to reduce conflict and complexity.”**

2.1

At present, each planning authority undertakes its own Housing Need and Demand Assessment (HNDA) utilising the same toolkit and procedures across the country. The consistency in this regard is helpful and appreciated. One of the key issues however is that the means in which the HNDAs are individually run and the evidence upon which they are based is effectively closed. The LPA completes the process then this is submitted to the Centre for Housing Market Analysis (CMHA) and signed off as robust and credible. This takes place behind closed doors and without any meaningful consultation with stakeholders including communities and the development industry.

2.2

The benefit of this approach for a Local Planning Authority (LPA) is that when an examination is commenced, the HNDA which underpins the policy response in the Proposed Local Development Plan (LDP) is not up for debate and cannot be disputed which avoids effectively opening a can of worms during the examination. Doing so could fundamentally compromise the soundness of the overall plan strategy were it to be subject to a credible challenge and as a result significant amendment. But this in turn is also a fundamental weakness. There is no formal opportunity for stakeholders including communities and the development industry to question the inputs and outputs of the HNDA, including the growth scenarios chosen and therefore the housing targets derived. In addition, because the HNDA is trend based it leads to planning for continuations of past trends as the default position, but this might not be the best course of action. A trend of declining working aged population for example should arguably trigger a policy response that looks to redress that trend and turn that negative into a positive not exacerbate that problem by planning for an ongoing decline.

2.3

Applying an entirely consistent approach across every LPA which is transparent and open to comment at an early stage would instil confidence in the process and reduce the potential for conflict at later stages. If the Scottish Government is truly wedded to the notion of early engagement and proper influence in plan making then this must go to the fundamental decisions that shape the policies of the plan – the housing being planned for is a fundamental pillar of this as it will impact on the economic prosperity of the place, health and wellbeing as well as climate change considerations associated with travel to work.

2.4

The discussion paper notes a desire to streamline processes and, as indicated in the guiding principles, reduce complexity. At present each stage of development of an individual LDP generates a significant commitment of resource from the industry and their consultants to fully scrutinise evidence and resulting policy. Streamlining will be welcomed but only on the basis that it yields results in quality as well as efficiency.

2.5

Given the volume of evidence required to properly inform housing supply targets across the whole country and the ability to properly consider what is proposed and comment fully, consistency and simplification would be welcomed. Under a new process to inform NPF, each LPA will submit its supporting evidence to the Scottish Government. It would be useful if each submission addressed the same questions and provided the same type of evidence in the same format. This would include the LPA's evidence of economic growth and their ambitions for the next 10 years, their sustainability strategy and their HNDA that is clearly linked to both of these so that they are setting out the actual housing need and demand for the next 10 years based on their own sustainable growth strategy. This will enable comparison across different LPAs and a comprehensive strategy for the whole of Scotland to be more easily derived. Without a

consistent approach to evidence gathering it is not clear how a national plan could be derived with any confidence. Consistency will enable like-for-like comparisons across authorities with easily identifiable deviations.

2.6 Conversely, if the evidence provided by each LPA is blindly incorporated into the NPF without the same level of scrutiny as would be afforded on an authority by authority basis then there is a risk that housing land requirements will not actually reflect the need and demand across the country as it is not unusual for housing numbers to be artificially suppressed for political reasons.

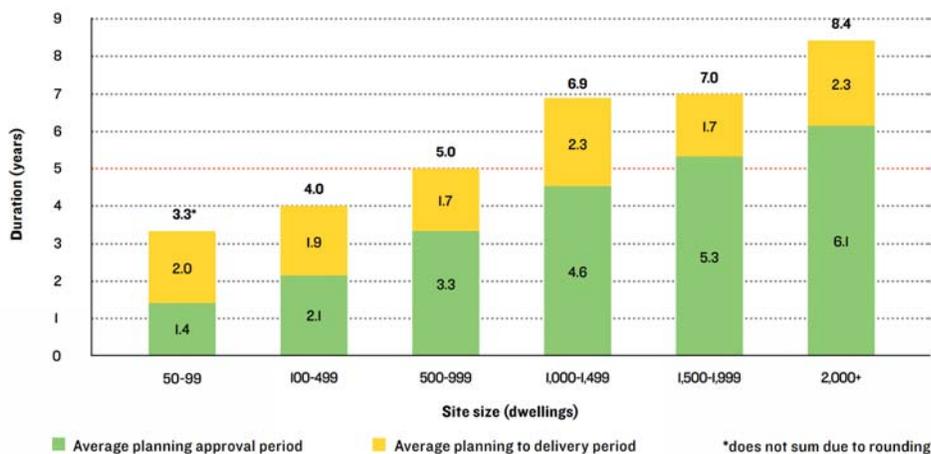
2.7 It is essential that this process, if streamlined, be accessible and fully open to scrutiny while in a format that is consistent across authorities and housing market areas to enable ease of comparison, assessment and comment.

**“The purpose of the figures is to ensure that local development plans allocate sufficient land for housing. We propose that the figures in NPF4 are expressed as minimum figures for housing land to accommodate an agreed projected number of homes.”**

2.8 Lichfields agree with this principle in part. While the identification of land is paramount to deliver needed homes, the process should be outcome focussed.

2.9 Any land identified as a result of a housing land requirement figure must however be presented in the context of being necessary to meet a housing supply target. The housing supply target must be met through the delivery of new homes. The land must therefore be deliverable within the prescribed period so as to meet that housing supply target. Tests of effectiveness must be clearly articulated, and this should include consideration of marketability and realistic programming. The use of housing trajectories at a national and local level and the monitoring of these will ensure that the housing that is required is actually being delivered. These need to be scrutinised to ensure that they are reliable and reflect what is reasonable and likely to happen.

Figure 1: Average timeframes from validation of first application to completion of the first dwelling



Source: Lichfields, Start to Finish Insight 2019 Start to Finish Insight 2019

2.10 It must not be forgotten that large land allocations without the benefit of planning consents will take a number of years to gain necessary consents and begin to deliver new homes. This must be built into any calculations and projections. In addition, there must be a thorough understanding of viability and deliverability. The NPF should make it explicitly clear that any land allocated

must have a clear prospect of delivery within the plan period and when land does not deliver in line with the housing supply target then interventions to address under delivery will take place.

**“An agreed proportion of this land should be ‘deliverable’ whilst the remainder should reflect the longer term spatial strategy for the area. The policy and / or guidance could provide clarity on what is expected to be deliverable land, as well as addressing longer term strategy.”**

- 2.11 The National Planning Framework must require that Local Development Plans maintain a deliverable supply of housing sites to meet need and demand throughout the entire plan period.
- 2.12 As we move to a 10 year cycle there is the difficult choice to either opt for a requirement for a 10 year supply which is truly effective at the outset of the plan period, or for 5 year effective supply with a further 5 years of potentially effective land.
- 2.13 In the case of the former, this will result in a very high Housing Land Requirement (HLR) for any political administration (and communities which make up their voter base) to palette in one sitting. The result will likely be increased risk of artificial suppression to minimise the perceived extent of change.
- 2.14 With the latter option, there would need to be a requirement to review and, if necessary, update the LDP mid-cycle to ensure that an effective supply of land is being maintained and that this can reasonably be programmed to deliver during the remainder of the plan period. Lichfields would be supportive of this, however it could be seen as negating the purpose of having a ten year plan cycle (NPF/LDP). In any event, a minimum of a 5 year effective supply must be maintained at all time.
- 2.15 The briefing paper confirms that the link between local development plans and Local Housing Strategies (LHS) is maintained. LHS are prepared on a 5 year cycle. This means evidence can be tested mid-NPF/LDP cycles to establish whether the housing land supply is appropriate. Flexibility will need to be in-built to allow LPAs to respond to changes in evidence.
- 2.16 If any less than a full effective 10 year housing land requirement is to be identified from the outset then a mechanism for mid-point review is essential. Furthermore, there should be triggers perhaps by percentage deviation to require LPAs to make amendments / introduce new sites to respond to under delivery, either current or programmed. This would apply to either a 10 year effective HLS or 5. The NPF in setting Housing Supply Targets (HSTs)/HLRs for local authority areas should make clear that such measures are required and set out clear and precise steps to establish the need to do so and the manner in which this will be undertaken.
- 2.17 Longer term plans are in place in other parts of the UK and it is worth considering the lessons learned and areas of best practice which have established elsewhere. The National Planning Policy Framework in England contains wording in relation to the identification of a supply of land for new homes which could provide a useful basis upon which to plan for 5 years’ effective supply with flexibility thereafter. A suggested wording for NPF4 which is loosely based on the terminology in the NPPF is:
- “a) specific, effective sites for years one to five of the plan period; and*
- b) specific, established sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.”*
- 2.18 Such an approach would allow certain authorities to plan for 10 year effective land supply at the outset if possible, potentially negating the need for a mid-cycle intervention, albeit monitoring would still be necessary to ensure that the supply remains effective throughout.

- 2.19 Where less than 10 years' effective supply can be demonstrated then the identification of broad areas for growth would still afford planning authorities the ability to assess and plan for strategic infrastructure and environmental capacity and communities the ability to understand and comment on strategic growth aspirations.

**“In terms of geography and scale, we propose that the minimum figures should be set for all local authority areas in Scotland. This would maximise consistency and simplicity in the planning system as a whole and remove the uncertainty that could arise if, for example, figures at a regional scale required further calculations to set out local contributions to a shared figure. Within this, however, we recognise that there is a need to allow for local flexibility that reflects local circumstances. This could still be achieved as the figures are taken forward in each local development plan.”**

- 2.20 Minimums must be set for all LAs, not should. In the rare event that is the HNDA shows zero need and demand, or indeed a LA is planning for decline in certain HMAs then the minimum figure could be zero, but there will be a requirement to properly evidence and support this. In all other events a minimum must be set.

**“A national approach needs to be informed by regional and local knowledge, analysis and input. We therefore propose to define the requirements for land in each area by working with local and planning authorities individually and / or in regional collaborations to ensure national analysis is informed by local objectives.”**

- 2.21 Lichfields is broadly in agreement with this principle. There is established practice in the existing strategic development plan authorities to continue this relationship for the 4 main city regions, which should make the transition to new processes relatively smooth. However, as mentioned above, we have concerns that there is a risk that LPAs maintain a status quo in their approaches to planning for housing land and that all the same information and positions that are consistently contested during examination are incorporated into NPF without the same level of scrutiny as would be afforded on an authority by authority basis.

### **Should NPF contain housing land figures for all areas in Scotland or focus on certain areas?**

- 2.22 As mentioned above, minimum housing supply targets and housing land requirements must be set for all LPAs. While there are clearly areas of acute housing pressure, need and demand across Scotland which require particular attention, if only certain areas are to be subject to a national standardised approach then the benefits of streamlining and consistency may be lost.

### **Are there areas in Scotland where an alternative approach may be more appropriate?**

- 2.23 No

### **Should NPF provide a single housing land figure or a range?**

- 2.24 Lichfields considers that a single (minimum) housing supply target and single (minimum) housing land requirement should be set for each LPA. At present, a HST is set by the relevant planning authority which is in turn used to calculate a HLR which includes a flexible degree of generosity. This process need not change however, it would be prudent for the NPF to set the level of generosity which should be applied to generate the HLR, either as a national constant or

on an authority/housing market area basis. Individual LPAs can then plan how they intend to meet the HLR. Assessment of individual plans' delivery can then be carried out against the HST.

### **Is the HNDA Tool an appropriate mechanism to base housing land figures on?**

2.25 In considering whether a standard trend based approach such as the HNDA to identifying housing need is the correct approach we can look to recent experience in England where until recently each LPA was required to "objectively assess" their housing need. In some areas, particularly where housing numbers were based on past completions, this generated much challenge through local plan examinations with the development industry often presenting evidence for greater need and plans often being changed as a result. That of course was not always the case and many local authorities particularly in the North of England based their housing requirement on an economic-led future scenario, reflecting the need to ensure past trends of population decline are not perpetuated into the future and to help attract and retain skilled workers to boost local economies.

2.26 The National Planning Policy Framework and Planning Policy Guidance was revised for England in 2018 and this introduced a standard methodology for calculating housing need. When the Standard Method was originally announced, Lichfields alongside many other planning and housing professionals, raised concerns that the new approach would result in significantly lower housing requirements due to its reliance on affordability as the sole reason to apply an uplift. Whilst the option exists within the methodology to apply an uplift to align with economic aspirations, as this is only an option it means LPAs can choose to appease residents and councillors concerned about housing growth rather than support their economic growth strategies. This is a scenario that is evident in some areas of Scotland just now in terms of how the HNDA is being used. In order to illustrate just what the differences were in some North of England LPAs Lichfields compared the housing requirement in a sample of northern local authorities' plans as of September 2017, (when the Standard Method was first proposed), with the housing requirement identified in the latest version of their plans (published since July 2018). Across these local plans, the change represents a total decrease of c. 2,409 homes each year in comparison to the numbers these authorities aspired to deliver before the Standard Method was proposed.

Table 1: Housing requirements in local plans immediately prior to the Standard Method being proposed in September 2017 compared to the latest draft Plan.

Local Authority/ Combined Authority	Housing requirement September 2017	Housing requirement since revised NPPF (dpa)	Standard Method (dpa) 2014-based 2019-2029	Status
GMSF	11,360	10,578	10,578	6.9% DECREASE
St Helens	570	486	461	14.7% DECREASE
Warrington	1,113	945	860	15.1% DECREASE
Bolsover	240	272	230	13.3% INCREASE
Calderdale	1,125	840	805	25.3% DECREASE
Harrogate	557	637	387	14.4% INCREASE
Leeds	4,375	3,247	2,767	24.0% DECREASE
Mansfield	376	325	272	13.6% DECREASE
Sunderland	768	745	573	3.0% DECREASE

Source: Lichfields Analysis/Local Plans

- 2.27 The picture is actually likely to be far worse than is suggested in Table 1, which does not include local authorities that presented a range of housing requirement figures (i.e. those at Issues and Options stage). This includes Durham, who identified that their housing need would be between 1,533 and 1,717 dpa before the Standard Method was proposed but who thereafter lowered this to 1,308 dpa in their Submission Draft Plan (June 2019).
- 2.28 It is our view, and the above would back this up, that a proper objective assessment of housing need based on sustainable economic growth ambitions rather than just past trends of household projections is a more robust method for setting housing needs, particularly over a 10 year period. It of course must be remembered that a decline in new households can be a measure of success as well as failure. Working aged families are pushed out of areas as much by affordability as they are by lack of economic opportunities. In other words, an area that is very successful in terms of desirability and economic prosperity and in turn has high house prices may have low household growth due to affordability issues rather than low economic opportunity. A more rounded approach is needed than is afforded by a standardised methodology such that is provided by the HNDA alone if we are to set housing numbers for the whole of Scotland without exacerbating existing negative trends which mean the country cannot take best advantage of its potential for sustainable growth.

### **Should there be scope for local and planning authorities working together to reflect functional housing market areas that cross local authority boundaries? What approaches could be used to achieve this?**

- 2.29 This approach makes sense, given that housing market areas are recognised not to follow arbitrary administrative boundaries. However, measures should be put in place to avoid an instance where proper planning for housing land in a single HMA straddling multiple authorities becomes a race to the finish whereby the last authority to publish its LDP is left holding a need

to meet the remained of the HLR. This has happened in existing strategic development plan authority areas in recent years and will require clear procedures to mitigate such a scenario. This could include inclusion of suggested apportionment of requirement by planning authority area across functional HMAs within NPF. Should LPAs wish to deviate from this then the arrangements must be agreed in writing between each in advance of adoption of the first LDP covering part of the functional HMA. This should form part of the evidence presented at examination.

**Should NPF apply a level of flexibility to the HNDA tool results to ensure a proactive approach to managing the supply of land for housing in a positive way? Should the level of flexibility be informed by recent housing completions?**

2.30 Lichfields would have strong concerns regarding any proposal whereby past completions are used to set housing land requirements. Such an approach effectively would reward failure – an LPA that under-delivered in the past would “enjoy” lower requirements in the future and associated short term political gain, regardless of implications in terms of actual housing need. At present, this is a constant get out presented by planning authorities where they artificially suppress the HLR on the basis that previous years’ delivery is lower than forecast need and demand. Such an approach is self-perpetuating and does not meet housing need and demand.

2.31 The only circumstances in which past completions should inform the setting of housing supply targets/housing land requirements is where an upward adjustment is to be made to account for under delivery in previous years. This should be undertaken at the outset of preparation of each LDP as well as at examination immediately prior to adoption. Where a period of time has passed between the start date of HSTs/HLRs set in NPF and a portion of the HST has not been met through delivery rates during that time, the shortfall should be added to any annual requirement set in the forthcoming LDP and have generosity applied accordingly. This is a logical approach and is common practice at present and should therefore continue accordingly.

**Should NPF housing land figures be met in LDPs as a minimum?**

2.32 By requiring that targets be met as a minimum it will provide a clear benchmark against which plans can be assessed. If a range or a maximum were to be proposed then it would not be clear whether a plan is adequately addressing need and demand within its boundaries.

**LDPs are moving to a ten year timeframe. Housing land audits generally programme land supply for a five year period. For LDPs to have a ten year land supply available upon adoption what mechanisms could be used to ensure land is brought forward in accordance with the LDPs spatial strategy?**

2.33 In the first instance, realistic programming being attributed to sites, in particular larger sites, which will allow for a clearer picture of housing delivery post first 5 years should be embedded in the process. Lichfields recently published a second iteration of its RTPI award-winning research Start to Finish. This research presents empirical evidence on both the speed and rate of delivery of housing on sites across England and Wales. Lichfields is presently working on Scottish case studies to supplement this research, but in the meantime, its findings are equally relevant in Scotland and present a realistic assessment of build out rates and lead in times of large scale development. This information is hugely beneficial when programming a strategic housing land supply, especially so when a 10 year plan cycle is the focus of the programming.

- 2.34 A copy of the research is included for reference and should be read in conjunction with this representation.
- 2.35 We consider that housing trajectories for each plan area must be prepared and reported annually. These should show how housing land requirements will be met over the 10 year period. This will in turn enable trigger points at which time to release new sites or others that have been held in abeyance until such time as the housing land supply requires. In line with our Start to Finish research, this may mean releasing larger sites some 5+ years in advance of the point at which they are required, in order that realistic lead in times are afforded. Such an approach adds further credence to the application of generosity allowances at the higher end of the range, while also acknowledging the need for review and amendment throughout the plan cycle.
- 2.36 Where a planning authority proposed to rely on windfall development to make up a proportion of its housing land supply, there has to be a reasonable prospect of windfalls sites coming forward. Any assumptions must be supported by compelling evidence that they are justifiable and will lead to the necessary delivery of homes.

### **Should the Scottish Government play a role in the housing land audit process?**

- 2.37 Lichfields consider that the housing land audit process being standardised and prescribed by Scottish Government, perhaps with a sign off procedure would be of significant benefit. This should include a fixed template to ensure absolute consistency across Scotland. Too many variables at present mean it is near impossible to compare one authority's Housing Land Audit against another, even within existing strategic development plan authority areas. This should include fixed calendar period (i.e. 1 January to 31 December rather than 2020/21, 2021/22).
- 2.38 Viability and deliverability should play a role in the process with consideration given to each in setting realistic programming.