

Public Document Pack



Supplement 2

Dear Councillor

ORDINARY COUNCIL - WEDNESDAY, 18TH OCTOBER, 2017

I am now able to enclose, for consideration on Wednesday, 18th October, 2017 meeting of the Ordinary Council, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
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| 8. | <u>LDP Update - Response to Government Consultation (Pages 3 - 12)</u> |
| 12. | <u>Urgent Business - (DCLG) Pilot Programme for 100% Business Rates Retention - 2018/19 (Pages 13 - 18)</u> |

An item of business may only be considered where the Mayor is of the opinion that, by reason of special circumstances, which shall be specified in the Minutes, the item should be considered as a matter of urgency.

Yours sincerely



Chief Executive

Encs

18/10/17

18 October 2017

Ordinary Council

Response to the Government consultation: “Planning for the right homes in the right places”

Report of: *Phil Drane – Planning Policy Team Leader*

Wards Affected: *All Wards*

This report is: *Public*

1. Executive Summary

- 1.1 The Government has published a consultation that proposes reforms to the planning system by increasing housing supply and local authority capacity to manage growth. Proposals include:
- a) Standard method for calculating housing need;
 - b) How neighbourhood planning groups can have greater certainty on the level of housing need to plan for;
 - c) Statement of common ground to improve how local authorities work together to meet housing and other needs across boundaries;
 - d) Making use of viability assessments simpler, quicker and more transparent; and
 - e) Increased planning application fees in areas where local planning authorities are delivering the homes their communities need.
- 1.2 The housing need data table published alongside the consultation document sets out the housing need for each local authority using the Government’s proposed method. This indicates that for Brentwood Borough the Objectively Assessment Housing Need is calculated as 454 dwellings per annum.
- 1.3 The consultation closes on 9 November 2017. A proposed response on behalf of Brentwood Borough Council is provided in Appendix A.

2. Recommendation

- 2.1 To approve the response to the Government’s consultation paper “Planning for the right homes in the right places”, as set out in Appendix A.**

3. Introduction and Background

- 3.1 On 14 September 2017 the Government published a consultation entitled “Planning for the right homes in the right places”. This consultation sets out a number of proposals to reform the planning system to increase the supply of new homes and increase local authority capacity to manage growth. Details of these changes are summarised below.
- 3.2 Whilst the consultation document proposes a number of reforms to the planning system, the proposed approach to calculating local housing need is the most pressing issue that requires thought as to how it could affect the plan-making process.
- 3.3 Brentwood Borough Council is preparing a new Local Development Plan for the Borough and since 2013, when the East of England Plan was abolished, has been calculating housing need according to the latest best practice. However, this is an imperfect system as methodologies for calculating need can vary across local authority boundaries, which can make it difficult to plan for wider strategic needs.

4. Issue, Options and Analysis of Options

- 4.1 The Government’s proposed approach to a standardised methodology uses the latest household projections as the demographic baseline and this should be the annual average household growth over a 10-year period.
- 4.2 It is proposed that an adjustment is made to take account of market signals, where appropriate, based on affordability (the latest information on workplace-based median house price to median earnings ratio). A calculation is proposed, which determines a level of uplift, that seeks to ensure more homes are delivered in locations where affordability is worst. However, the level of increase can be capped according to the status of the local plan in the authority area, whereby the increase is limited to 40% above the local plan (for recently adopted plans) or 40% above whichever is the higher of the household projections of the figure in the local plan.
- 4.3 The consultation does reiterate that local planning authorities are able to plan for a higher number, for example, to take account of anticipated employment growth. If a local authority proposes a figure lower than the standard methodology the reasons for doing so will need to be tested through examination.

- 4.4 In implementing the approach:
- a) Local planning authorities should be able to rely on the local housing need evidence used to justify their local housing need for a period of two years from the date on which they submit their plan;
 - b) It is proposed that the National Planning Policy Framework (NPPF) be amended so that having a robust method for assessing local housing need is part of the tests that plans are assessed against; and
 - c) The Housing White Paper also proposed that after 31 March 2018, the new method for calculating the local housing need would apply as a baseline for assessing five-year housing land supply. This is to incentivise getting up-to-date plans in place (note that policies in the NPPF which restrict development would still apply). It is implied that the Revised Framework would introduce this requirement, which may follow the date previously suggested, but would take immediate effect and there would be some discretion for local planning authorities with ambitious proposals for new homes.
- 4.5 In terms of transitional arrangements for implementing the proposed approach the Government proposes the following:
- a) No plan that has not yet reached publication stage, or a plan adopted more than five years ago, should use the new standardised methodology, unless the plan will be submitted for examination on or before 31 March 2018 or before the revised NPPF is published (whichever is later);
 - b) Where a plan has been published, but not yet submitted, if the plan will be submitted for examination on or before 31 March 2018 or before the revised NPPF is published (whichever is later), the local planning authority should continue with the current plan preparation, or otherwise use the new standardised method;
 - c) Where a plan is at examination stage the local planning authority should progress with the examination using the current approach; and
 - d) Where a plan has been adopted in the last five years, the local planning authority should use the new standardised method when next reviewing or updating the plan.
- 4.6 In addition to proposing a standard methodology for determining the level of housing provision, it is proposed that:
- a) The Framework will be updated to require local planning authorities to prepare a Statement of Common Ground to support more effective joint working where planning issues need to be addressed by more than one authority. It is proposed that the tests of

soundness are amended to require such agreements that inform strategy and provide evidence of effective cross boundary working;

- b) Plan makers should disaggregate the total housing need against different types of housing (including those for older people and disabled people, families with children, affordable housing etc), although no method is suggested;
- c) Regarding viability in plan-making, local planning authorities should set out the types and thresholds for affordable housing contributions required; infrastructure needed to deliver the plan; and expectations for how these will be funded and contributions developers will be expected to make. For decision-taking, where policy requirements have been tested for their viability, the issue should not usually need to be tested again at the planning application stage; and
- d) Further increases on planning application fees could be imposed.

5. Reasons for Recommendation

- 5.1 The proposed consultation response, set out at Appendix A, focuses on responding to questions (questions 1-6) contained within the section entitled “Proposed approach to calculating the local housing need” (pages 8-20). After several years of working through assessing local objectively assessed housing need, with the help of specialist consultant advisors, this is the section that the Council is most able to respond and contribute.
- 5.2 Due to timescales and resources, it is suggested for other proposals set out in the consultation document that the Council rely on the wealth of responses likely to be generated by professional bodies and partner organisations with a greater degree of expertise on these subjects.

6. Consultation

- 6.1 The Government is consulting on proposals to reform the planning system, specifically a standardised approach to calculating local housing need. This consultation began on 14 September 2017 and runs until 09 November 2017.

7. References to Corporate Plan

- 7.1 Changes to the method for calculating housing need will have a direct impact on the emerging Brentwood Local Development Plan, the production of which is a key priority in the Council’s Corporate Plan.

8. Implications

Financial Implications

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- 8.1 No direct financial implications are included in the report. However it should be noted that any impact on growth from the Governments consultation could potentially have an effect on the Council's Funding, as this paper is referring to the number of homes built in future, the future financial implications are unclear at present.

Legal Implications

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- 8.2 Following the outcome of this consultation the Government intends to publish a revised draft NPPF early in 2018. There will then be further consultation on the new text of the NPPF followed by a final revised update in Spring 2018. This consultation is therefore significant as it will impact on the envisaged amendments to the NPPF. Local plans are already required to be 'positively prepared' if they are to be found to be 'sound'. However, by using the standardised method of identifying housing need inspectors will be able to sign off local plans as sound and with lesser scrutiny.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.3 None identified.

9. Background Papers (include their location and identify whether any are exempt or protected by copyright)

- 9.2 The following consultation documents are available to view online, along with a summary and other details -

<https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals>:

- a) Planning for the right homes in the right places: consultation proposals – Department for Communities and Local Government (September 2017).
- b) Housing need consultation data table – Department for Communities and Local Government (September 2017)

10. Appendices to this report

- Appendix A: Brentwood Borough Council proposed response to the Government's consultation paper "planning for the right homes in the right places".

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**Response to the “Planning for the right homes in the right places”
consultation**
October 2017

Brentwood Borough Council supports the principles for simplifying the calculation of local housing need, most importantly to provide a more understandable process that is publicly available. We would hope that revised specifications for local planning authorities would be realistic and have regard to local constraints. This new proposed method would seem to be an improvement over the current method.

It is essential that more certainty be provided in the plan-making process as well as simplifying the requirements. The Council is proactively looking to address local housing demand to deal with the national housing crisis in our borough. However, the situation whereby housing needs increase each year that new projections are announced hinders the plan-making process. This is not aided by simply increasing need in those areas where housing affordability is an issue – which in much of the south east of England is an issue not down to a lack of will to deliver housing but by a range of constraints. There is also the challenge that by simply focusing on annual housing need over a plan period that we are not dealing with the real problem in much of the south east, which is how to deliver houses now in areas within Green Belt and constrained by existing infrastructure.

The following comments relate to finer details in the assumptions made as part of proposing a standard method for calculation.

Affordability

Assumptions made about increased housing growth in areas that have experienced affordability issues is overly simplistic. These issues exist because of high house prices in the case of Brentwood Borough and the south east predominantly. There is a lack of evidence to support the view that increasing housing supply will have a noticeable impact on house prices. The standard method calculation of the affordability of an area relates to the use of workplace wages, which is the basis for the uplift as opposed to resident wages. In the case of Brentwood Borough, workplace wages are lower than resident wages because of a high in and out commuting flow – where very generally Brentwood residents commute out to support London and other local jobs are filled by people commuting in to the Borough. Using workplace wages as a basis means that Brentwood picks up a very high market signal, which does not seem correct given that local house prices are determined by resident wages. The Council would suggest that using resident wages as a basis would be more sensible.

Number to Apply from Submission

It is noted that proposed figures for objectively assessed need for each local planning authority are published in the housing need consultation data table. However, when following this method, the need number is likely to change by summer 2018 as new household projections are released. This means that the applicable need number to apply will depend on when a plan is submitted, which is particularly difficult to predict when undertaking consultation on issues and options at earlier stages of the plan-making process before the need is set. This will result in similar challenges and delays to plan-making that local planning authorities face now, where numbers inevitably change over the period that a plan is being prepared, meaning additional sites need to be identified to meet needs and crucially, ensure that supporting technical evidence has been thoroughly considered as part of delivering a sound plan. In the south east of England demographic projections seem to have only increased in recent years resulting in higher objectively assessed need at submission than when the plan-making process starts, causing delay and additional expense.

Projection Base

The continued use of the official projections makes the housing need number unstable between projection rounds. The official projections can be highly volatile because they use a very short (five-year) trend base for domestic migration and each round of projection only shares three of the five data points informing the previous round. The Council suggests that a longer period be used (a ten-year projection for example), and that the number be fixed earlier to allow other evidence to align with a stable housing number.

Cross-boundary working

Housing need for almost all surrounding authorities in Essex and the south east have seen a considerable uplift in housing need, generally because of assumptions about affordability. This poses questions about cross-boundary unmet housing need, particularly with London. In the current proposals, the weight given to constraints such as Green Belt is unclear, as are the cross-boundary working arrangements. Whilst there is acknowledgement that not all authorities can meet housing needs due to constraints such as Green Belt, this is ignored in the standard method calculation. This leaves a reliance on unmet need being met by other adjoining authorities but fails to recognise situations where these authorities are also constrained by Green Belt, for example. Higher need will mean authorities will be required to identify additional housing land. Brentwood Borough Council believes this uncertainty will only serve to further delay delivery of local plans.

Housing Shortfall

A key issue the Council has faced in the preparation of a new Local Plan has been the difficulty of starting from a position of high housing need backlog when objectively assessed needs are applied from the point at which the regional plan was abolished (2013). This makes it extremely difficult to provide a five-year housing supply even when suitable allocations are made to meet full objectively assessed need over the plan period. No mention of backlog is made in the standardised method. It would be far simpler for local planning authorities to apply housing need from submission or the start of a plan period to be able to effectively meet a five-year supply of homes in areas where need has increased significantly, requiring an uplift of delivery which will inevitably take time.

Other Comments

There is no consideration of vacancies, second homes, concealed and/or shared households in the methodology and, accordingly, there is no conversion of households to dwellings. The methodology will also need to fully consider the length of local plans, which are often well beyond 10 years.

Conclusion

In general terms, the Council welcomes the opportunity through this consultation to make representation on both the calculation of housing need numbers and the approach to delivering a local plan. Simplifying the process would enable us to swiftly deliver a sound plan whilst recognising the Borough's local character constraints. We support the need for additional housing to meet future demand and a clearer process would enable us to work with partners to ensure the necessary infrastructure can be delivered alongside development. We urge the Government to use this opportunity to speed up the plan-making process by removing much of the associated complexity, which in turn subsequently causes delay in delivering a sound and workable plan.

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URGENT BUSINESS

18th October 2017

Ordinary Council

**Department for Communities and Local Government
(DCLG) Pilot Programme for 100% Business Rates
Retention - 2018/19**

Report of: *Jacqueline Van Mellaerts*

Wards Affected: *No wards specifically*

This report is: *Public*

1. Executive Summary

- 1.1 The Council currently participates in an Essex wide pool for Business Rate Retention (BRR). DCLG have invited Local Authorities in England to pilot 100% Business Rate Retention in 2018/19.
- 1.2 Essex County Council have expressed an interest to submit a bid proposal to DCLG to take part in the pilot program whilst engaging with all Essex Local authorities.
- 1.3 Financial Review is still ongoing for the bid proposal. Due to the tight timescale set upon by DCLG to submit a bid by 27th October 2017, and to allow for the appropriate governance arrangements, delegated authority is therefore required to make sure the bid if upheld is successful.

2. Recommendation(s)

- 2.1 **Notes the content of the report and its potential implications for the forthcoming budget setting for 2018/19.**
- 2.2 **That delegated authority be granted to the Chief Executive, in consultation with the Chair of Policy, Projects & Resources Committee, to give notice formally of the Council's intention to accept or decline to opt into the 100% Business Rate Retention (BRR) Pilot Programme with the other constituent Essex local authorities.**

3. Introduction and Background

- 3.1 The current Medium Term Financial Plan (MTFP) was approved by Ordinary Council on 1 March 2017. The MTFP incorporated the agreed funding under the Government's four-year deal through to 2019/20. It also highlighted a number of areas which will impact upon the Council's future resources, one of which included the longer-term implications of the government's intentions for 100% retention of Business Rates and associated conditions that may be applied and the transfer of additional responsibilities to councils.
- 3.2 The Business Rate Retention Scheme (BRR) commenced in 2013/14 and has increasingly been regarded as the core source of direct Government funding within its Settlement Funding Assessment (SFA). Within the Autumn Statement made on 23 November 2016, the Chancellor set out the Government's intention to remove Revenue Support Grant (RSG) altogether and to focus Council funding solely on BRR. The BRR system was intended to see a simplification of council funding arrangements and to incentivise councils to encourage economic growth in their areas. In return, this would improve the business rates collectable and therefore the funding retained locally through the funding arrangements.
- 3.3 The Council is part of the Essex wide Pool for Business Rates, the pool consists of eleven Essex local authorities including Essex County Council, Essex Fire Authority and nine Borough and District Councils, including Brentwood. By pooling, any levy payments that would have been made to Central Government in relation to Business Rates, growth can be saved and distributed to the members of the pool. The Pool is functioning well with a projected surplus to Brentwood of £180k for 2017/18

4. DCLG Invitation to Local Authorities in England to Pilot 100% Business Rates Retention in 2018/19

- 4.1 The Government has already initiated one pilot scheme for 100% BRR operating in five specifically urban council areas with effect from 1 April 2017. These pilots will retain 100% of business rates income and forego some existing grants. Over the pilot period, which will be continuing on into 2018/19, they will retain all of their growth in business rates income.
- 4.2 In response to its consultation exercise in 2016 on Self Sufficient Local Government, the government made a commitment to launch a further pilot

scheme in 2018/19. The intention is to provide an opportunity for the DCLG to test more technical aspects of the 100% BRR system, such as tier-splits, and to evaluate how collaboration between local authorities may work in practice.

- 4.3 There has remained uncertainty as to whether the 2018/19 pilots would go ahead following the general election in June and the lack of information flowing from DCLG in relation to this initiative. However, in early September 2017, the Government issued an invitation to local authorities to form pools, expecting agreements to be in place from all authorities in a functional economic area (such as a county), to apply jointly for pilot status for 100% retention of Business Rates. The Government considers this to be an opportunity that will allow authorities to make coherent strategic decisions about the wider area and to jointly manage risk and reward.
- 4.4 This second phase of pilots will operate for the 2018/19 financial year only and are aimed towards more-rural based catchments. Authorities selected as pilots for 2018/19 will be expected to forego Revenue Support Grant (RSG) and Rural Services Grant (Brentwood Council only receives the former of these two grants). The value of the grant foregone will be taken into account in setting revised tariffs and top-ups, which will be used to ensure that the changes are cost neutral, except for the value of any growth retained.
- 4.5 Each “pool” will have a single safety net threshold determined on the basis of the pool’s overall Baseline Funding Level and Business Rates Baseline. However, the pool’s safety net threshold will be set at 97% of its recalculated baseline funding level, instead of the existing 92.5%; this represents a favourable adjustment to reflect the additional risk stemming from greater retention. Pilots will operate with a “zero levy”, as is the case for the current 2017/18 pilot areas. Thus, it is retention from potential growth of Business Rates over and above an authority’s Business Rates Baseline that presents a notable attraction for participating authorities.
- 4.6 To be accepted as a pilot for 2018/19, DCLG has indicated that agreement must be secured locally from all relevant authorities to be designated as a pool for 2018/19. Therefore, if one of the authorities within a functional economic area declines the invitation, the likelihood is that the remaining authorities will not be accepted into the pilot scheme.
- 4.7 Pooled areas should propose a split for sharing additional growth. Pooled areas will be required to demonstrate how additional growth will be used to promote the financial stability and sustainability of the pooled area. In

addition, it is expected that some retained income from growth to be invested to encourage further growth across the area.

- 4.8 Any proposals for new pilots must be received by the Department for Communities and Local Government on or before Friday 27 October 2017.
- 4.9 It is expected that successful applications will be announced before or alongside the publication of the draft local government finance settlement, which usually occurs in mid-December each year.

Proposal for an Essex-wide Pilot for BRR

- 4.10 Essex County Council has initiated a series of discussions and communications to explore the merits of forming an Essex pilot. Not only are there potential benefits from annual retaining Business Rates surpluses, the council recognises that participating in the pilot provides a key opportunity to shaping the fair distribution of local government funding.
- 4.11 After preliminary consultation with and general support from the county's district councils, and recognising there is potential scope to benefit from participating in the pilot, Essex County Council has written to DCLG expressing an interest on behalf of the county's authorities.
- 4.12 Given the government's requirement for all authorities within a pilot area to subscribe to a pilot bid, the County Council continues to engage with all other fifteen relevant Essex authorities, which comprises the twelve Borough and District Councils, two Unitary Councils and Fire authority (police authorities do not participate in Business Rates funding). This is a real achievement for all authorities, showing increased collaboration and partnership for local needs.
- 4.13 The timescale by which bids must be submitted to DCLG is extremely tight and the information supplied by DCLG about the pilot scheme is also limited. Therefore, the Essex authorities are pursuing two primary lines of enquiry to facilitate the decision-making process:
 - a) Councils are, as a group, to participate in dialogue with a representative of the DCLG, and
 - b) A modelling exercise to be commissioned to project the likely financial benefits or penalties of participating in such a pilot scheme.

- 4.14 The outcomes of these enquires are still ongoing, however Chief Finance Officers met on 13th October 2017, to review and discuss the modelling exercise which was undertaken. There is another meeting schedule to discuss this further and compilation of the bid proposal to DCLG.
- 4.15 It was agreed amongst all Essex Authorities that entering into the pooled arrangement, councils should be in a “No worse off position”, then prior to the pilot.
- 4.16 Initially the pilot programme appears favourable for Brentwood, by pooling together all the Essex Local Authorities the gains could be between £33.6m and £45.7m depending on the arrangements. The levy paid to central Government will be saved through pooling and **all growth** in business rates compared to the 50% of growth that is currently retained, will be retained locally.

Conclusion

- 4.17 With limited information available at the time of this report to enable to put the appropriate governance arrangements in place by the 27th October 2017, it has not been possible to determine the overall financial impact. Officers therefore request members to provide delegated authority to the Chief Executive in consultation with officers and the Chair of Policy, Projects and Resources committee to accept or decline to opt in for the pilot programme.

5. Reasons for Recommendation

- 5.1 To enable an informed decision by delegated authority, subsequent to the outcomes of an independent financial review and formulation of agreed terms, to be made in determining whether Brentwood Council should participate with Essex billing precepting authorities in the DCLG’s Pilot Programme for 100% Business Rates Retention (BRR) in 2018/19.

6. Consultation

- 6.1 None

7. Implications

Financial Implications

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- 7.1 Main Financial Implications are set out in this report. Outcomes of the financial modelling exercise and negotiations with authorities comprising the proposed Essex pilot should provide officers an insight into the benefits, or otherwise participating in the 100% BRR pilot scheme.

Legal Implications

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- 7.2 There are no direct legal implications set out in this report.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 7.3 Upon assessment of the bid proposals, Risks to the authority will be considered and could help potentially reduce the council's strategic risk – financial pressures.

8. Background Papers

- 8.1 DCLG Invitation to Local Authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models.

9. Appendices to this report

- None

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