

Planning for the right homes in the right places: consultation proposals: OCS Housing Policy Group responses.

Question 1: a) do you agree with the proposed standard approach to assessing local housing need? If not, what alternative approach or other factors should be considered?

The idea of making the calculation of housing need simple and transparent is excellent, though we accept that some arbitrariness will be inevitable. We nevertheless have a number of strong reservations regarding the proposed standard approach:

- The analysis presented ignores many factors which influence the provision and affordability of housing. Whatever formula is chosen for assessing housing need, it should give results that are genuinely valid in terms of predicting real need; it should not be simply a mechanism for generating a convenient, but ultimately meaningless number.
- A fundamental requirement not properly addressed in the consultation paper is the **distinction between demand, and need**. This distinction is much more fully examined in the DCLG-published paper "Estimated Housing Need" (Bramley & others, 2010) and it is inexplicable that this is not even referenced in the current consultation document.
- Simplicity may be beneficial but clarity is essential regarding the complex issues of need versus demand, managing and monitoring progress in tackling 'backlogs', and meeting new and emerging needs with proper regard for the social and economic circumstances of those requiring better homes. **Simplicity of methodology should not be pursued at the cost of proper consideration of real-world situations and known likely eventualities.**
- The use of just two parameters – demographic growth and the affordability ratio (which are inter-related anyway) – meets the need for simplicity and transparency, but has numerous shortcomings. Furthermore, there are many possible alternative formulae that could be chosen as ways of specifying need as a function of these two parameters.
- The priorities set out in the consultation paper of helping to tackle the lack of affordable housing, and supporting those who aspire to home ownership raise issues of overlap between local needs and sub-regional, regional and national interests. The current paper fails to adequately address such concerns.
- The paper acknowledges the desirability of considering housing need across real-world functional areas, rather than simply using administrative boundaries, but then goes on to dismiss such an approach as "too difficult", on the grounds of unavailability of data. If the objective is to produce genuine projections of need as accurately as possible, **ignoring the realities of residential and workplace locations and travel behaviour presents a basic flaw in the methodology**. If data or analysis is lacking, it should be acquired or carried out to ensure the process and conclusions are realistic.
- The paper also ignores parallel initiatives currently under development, independent of the development of Local Plans, viz. the Cambridge – Oxford Corridor, traversing multiple Local Authority areas and promoted by the National Infrastructure Commission. If such projects materialise, as seems quite likely, the introduction of around 1m new homes across this area will clearly have significant effects which cannot be ignored.
- The paper refers to "the wider reforms to the housing market that will ensure homes are built faster, by a more diverse housing market, to meet the needs of ordinary households and communities now and in the future". Despite this reference, the paper **does little to promote a national housing strategy** – one built in

conjunction with local government. Such a strategy must recognise the realities of obstacles to the **achievement of appropriate housing for all** in a 'market' which caters poorly for most people who cannot aspire to ownership, or for those with particular housing needs seeking affordable rented accommodation.

- The assessment process should be seen as an **indicator of the scale of planning needed**, rather than as a definitive target. Accordingly, and assuming that population growth will continue beyond the time-scale of Local Plans, it is better to err on the side of over-prediction rather than under-prediction, since if delivery falls behind targets, at least the planning provision will have been made, possibly for inclusion in future plans.
- The large and sudden projected increase in London's share of additions to England's housing stock may represent an extrapolation of current trends, but it is questionable whether it is realistic, or aligned with the national industrial strategy, or the desirability of economic re-distribution. In particular, the more-than-tripling of the build rate in Outer London looks unlikely to materialise. It seems equally likely that a lower build rate in Outer London will mean that higher rates will be needed in adjoining areas.
- Consideration should be given to adjustment of the formula to **reduce the weight given to demographic trends and increase the weight given to affordability**. This would be more consistent with the stated priority of helping to tackle the lack of affordable housing, and would give higher figures for cities such as Oxford and Cambridge, where demographic (and economic) growth has been constrained by unaffordability. Replacing the "4" in the suggested formula (which represents an "ideal" affordability ratio) with a figure closer to the 7.7 which is the actual average for England should be considered.
- A further shortcoming of the proposed methodology is the exclusion of consideration of any demographic data except total household numbers. Citing Oxford as an example, in 2014 there were 44,000 households under the age of 65, and 12,000 households aged 65+; by 2039 it is projected that these figures will increase to 50,000 and 22,000 respectively – an overall increase of 28.5%, but an increase of 13.6% in under-65 households, and 83.3% in the over-65s. This has implications for location and size and type of housing which are not addressed in this paper, despite the title reference to "the right homes ...".
- Associated with this is the suggestion that assessment of need should be made not simply on the basis of units, but with consideration of floor space, if the objective is genuinely aimed at planning for "the right homes in the right places ...".
- The consultation paper appears to assume that the demand side of the 'market' is comprised only of aspirant owner-occupiers. This does not represent reality – in Oxford, as an example, less than 50% of the housing stock is owner-occupied, and this trend is spreading. This implies that **a very significant proportion of the 'demand' is from investors, for whom considerations of affordability are less critical than those of security and net returns, and 'need' is debatable**. This is not recognised.
- The current analysis ignores the fact that housing affordability is strongly associated with wealth and income inequality – house prices are set by those buyers in possession of the means, despite the elevated prices, to transact. **Affordability of provision of accommodation for those with real need is the most critical issue in social and economic terms** (because of recruitment and service delivery issues), and, indeed, is stated as a priority in this paper.
- The **analysis of affordability could be more appropriately made on the basis of rental level versus income**, rather than property price versus income, and the suggested formula for demand prediction adjusted accordingly. This conclusion was

reached in the DCLG-published paper "Estimating Housing Need" (Bramley & others; 2010).

Question 1: b) How can information on local housing need be made more transparent?

The table of planned figures would be more transparent if the following changes were made:

- The data on demographic growth and affordability ratios which have been used in the calculation to be attached to the paper.
- The figure for assessed need to be shown using formulae, as well as values.
- Hyperlinks to existing local authority assessments to be attached to the figures shown.
- Figures for net additions to the housing stock in past years should be attached for ease of reference.
- There should be discussion of whether the figures are net of demolitions, conversions and changes of use. The demographic figures (which are net additions to the number of households) imply that the figures should all be net, but this needs to be stated clearly.

Question 2: do you agree with the proposal that an assessment of local housing need should be able to be relied upon for a period of two years from the date a plan is submitted?

Yes.

Question 3: do you agree that we should amend national planning policy so that a sound plan should identify local housing need using a clear and justified method?

Yes. But the reservations expressed in responses to the previous questions qualify whether the method proposed here is, indeed, clear and justified, or should be adopted.

Question 4: do you agree with our approach in circumstances when plan makers deviate from the proposed method, including the level of scrutiny we expect from Planning Inspectors?

See Question 5: c) below.

Question 5: a) do you agree that the Secretary of State should have discretion to defer the period for using the baseline for some local planning authorities? If so, how best could this be achieved, what minimum requirements should be in place before the Secretary of State may exercise this discretion, and for how long should such deferral be permitted?

See Question 5: c) below.

Question 5: b) do you consider that authorities that have an adopted joint local plan, or which are covered by an adopted spatial development strategy, should be able to assess their five year land supply and/or be measured for the purposes of the Housing Delivery Test, across the area as a whole?

Yes

Question 5: c) do you consider that authorities that are not able to use the new method for calculating local housing need should be able to use an existing or an emerging local plan figure for housing need for the purposes of calculating five year land supply and to be measured for the purposes of the Housing Delivery Test?

Both questions 4 and 5 are to do with deviating from the proposed figures. A formula which imposes unrealistic targets on some authorities – as we suspect that proposed does (particularly for Outer London, and possibly also for Inner London) – will make it difficult for the Secretary of State to refuse to defer implementation or to deviate from

the proposed method. This will cause shortfalls in the totals which are not compensated by higher figures in other areas.

Question 6: do you agree with the proposed transitional arrangements for introducing the standard approach for calculating local housing need?

Yes.

Question 7: a) do you agree with the proposed administrative arrangements for preparing the statement of common ground?

The consultation paper asserts that the statement of common ground (SCG) is not intended to replicate any stage of the plan-making process, but it also asserts that it should not be an additional burden on local planning authorities. If not replication of any part of the planning process, the preparation of the SCG must inevitably constitute an additional burden. Local government planning resources are currently already very stretched. Without additional resources being made available we believe the proposed arrangements would be difficult to achieve without additional resources and/or sacrifices in some other function.

Question 7: b) how do you consider a statement of common ground should be implemented in areas where there is a Mayor with strategic plan-making powers?

See response to Question 7: c)

Question 7: c) do you consider there to be a role for directly elected Mayors without strategic plan-making powers, in the production of a statement of common ground?

Elected Mayors as a device for improving local authority direction still remain to be fully tested – in areas where ‘common ground’ is shared between areas all represented by elected Mayors, it would seem that they must be part of the collaboration – where not, not.

Question 8: do you agree that the proposed content and timescales for publication of the statement of common ground are appropriate and will support more effective co-operation on strategic cross-boundary planning matters?

Question 9: a) do you agree with the proposal to amend the tests of soundness to include that:

i) plans should be prepared based on a strategy informed by agreements over the wider area;

Yes.

ii) plans should be based on effective joint working on cross-boundary strategic priorities, which are evidenced in the statement of common ground?

Yes.

Question 9: b) do you agree to the proposed transitional arrangements for amending the tests of soundness to ensure effective co-operation?

We have seen little evidence that the proposed measures will be effective in ensuring more collaborative planning in areas where the will for such cooperation has been lacking in the past, cooperation has been interpreted as no more than dialogue, and relationships have been characterised by disagreement.

Question 10: a) do you have suggestions on how to streamline the process for identifying the housing need for individual groups and what evidence could be used to help plan to meet the needs of particular groups?

Particular groups should be identified and defined where their presence has a significant effect on the planning of residential accommodation. Examples are students, elderly

persons and self-build or community housing groups. Local Authorities should be required to identify, define and compile data on such groups, and demonstrate how particular provision is made for such groups in Local Plans.

Question 10: b) do you agree that the current definition of older people within the National Planning Policy Framework is still fit-for-purpose?

Yes.

Question 11 a) should a local plan set out the housing need for designated neighbourhood planning areas and parished areas within the area?

Yes.

Question 11 b) do you agree with the proposal for a formula-based approach to apportion housing need to neighbourhood plan bodies in circumstances where the local plan cannot be relied on as a basis for calculating housing need?

Yes. The acceptability of this would depend on the formula adopted, and should consider the particular circumstances of the Neighbourhood or parish, e.g. environmental or capacity constraints.

Question 12: do you agree that local plans should identify the infrastructure and affordable housing needed, how these will be funded and the contributions developers will be expected to make?

Yes. The anomaly of division of responsibility for development planning and transport and other infrastructure planning in many (non-unitary authority) areas should be addressed. Local plans should identify infrastructure requirements, but should be realistic in matching development policies to likely infrastructure investment.

Question 13: in reviewing guidance on testing plans and policies for viability, what amendments could be made to improve current practice?

We have a number of observations:

- Only in very exceptional circumstances should developers or applicants be allowed to depart from policy on affordable housing requirements – compliance with policy should be the default condition.
- Since the crisis in housing relates strongly to affordability, it is crucial that opportunities for avoidance of policy are reduced.
- The need for costly Financial Viability Assessments (FVAs) and Appeals resulting from poorly drafted policy or procedure should be avoided.
- If a proposal fails to comply with policy, the case for it to be regarded as exceptional should be made by the applicant. Examples of exceptions may be provided by the LPA, making it clear that these are expected to be rare cases.
- If it is agreed by officers that there is a truly exceptional case, a FVA should be submitted with the planning application and this should be published for public examination and given adequate time for the detail to be considered.
- The form of the FVA should be standardised with an explanation provided of each of the key variables and benchmarks (see below for more on this standardised approach)
- If public money is involved (e.g. for infrastructure or affordable housing contribution) there should be no exceptions allowed for departure from the policy.
- If there is no public financial involvement or proposal for departure from policy, there should be no requirement for a FVA (this is the approach taken by the GLA).
- Councillors with planning decision-making responsibilities should be fully trained in viability assessment.

Question 14: do you agree that where policy requirements have been tested for their viability, the issue should not usually need to be tested again at the planning application stage?

Yes. Policy should not be tested with each new application or at Appeal. The policy should remain in force until there is a change in the Local Plan. But the policy itself, such as the percentage of affordable housing or the definition of affordable housing, must be categorical and specific, and beyond legal challenge.

Question 15: how can Government ensure that infrastructure providers, including housing associations, are engaged throughout the process, including in circumstances where a viability assessment may be required?

To ensure infrastructure providers are involved, procedures should be kept simple. Planning applications should be required to demonstrate that all relevant infrastructure providers (including HAs) have been informed. Where a FVA is applicable, its details should have been made available to infrastructure providers. All infrastructure providers should be provided with opportunities for contribution of views and LPAs should establish what these views are in considering applications.

Question 16: what factors should we take into account in updating guidance to encourage viability assessments to be simpler, quicker and more transparent, for example through a standardised report or summary format?

Many of the current problems relate to the interpretation of data and lack of transparency. We have a number of observations:

- There should be a standard methodology adopted, such as the Residual Land Value method. A standardised approach to variables, inputs and outputs should be set out in simple form so the public can understand it
- A schedule of mandatory information/data requirements for FVAs should be published, with evidence-based justification required for all variables, e.g. level of rents, fees, construction costs, finance costs, developers profit etc. Generic terms such as "industry standard developer's profit of 20%" would be unacceptable.
- The benchmark land value (the price assumed necessary to induce a landowner to sell) should be clearly justified. Existing Use value plus a premium of no more than 25% should be the benchmark. 'Market value' should be inadmissible as the benchmark, as should be 'market value discounted for policy requirements' (as is no more common). Tower Hamlets, a similar very high value housing area, uses the Existing Value plus a small premium – an approach which should be adopted elsewhere, including Oxford.
- To constrain the scope for interpretation or 'massaging' of data and results it should be a requirement of FVAa that sensitivity analyses are carried out and published so that the impact of small changes in the variables on the viability of provision of infrastructure and affordable housing is clear.
- There should be true transparency in the process of implanting FVAs, including full publication in time for proper consideration by officers, councillors and general public. Refusal of release of information on grounds of "commercial confidentiality" should be inadmissible – as concluded in the Greenwich Peninsula FOI Tribunal case of 2014.
- A LPA should have the right to examine any piece of information it deems relevant as a material consideration.
- Where a LPA considers it necessary to engage external consultants to check a developer's FVA, it should consider seeking greater objectivity of analysis by selection outside the incestuous circle of habitual participants.

Question 17: a) do you agree that local planning authorities should set out in plans how they will monitor and report on planning agreements to help ensure that communities can easily understand what infrastructure and affordable housing has been secured and delivered through developer contributions?

Yes.

Question 17: b) what factors should we take into account in preparing guidance on a standard approach to monitoring and reporting planning obligations?

Monitoring and reporting should be simple and transparent.

Question 17: c) how can local planning authorities and applicants work together to better publicise infrastructure and affordable housing secured through new development once development has commenced, or at other stages of the process?

Through better publicity for and promotion of the activities of a Local Growth Board, or the formation of a Combined Authority.

Question 18: a) do you agree that a further 20 per cent fee increase should be applied to those local planning authorities who are delivering the homes their communities need? What should be the criteria to measure this?

It seems perverse to effectively penalise success.

Question 18: b) do you think there are more appropriate circumstances when a local planning authority should be able to charge the further 20 per cent? If so, do you have views on how these circumstances could work in practice?

Not sure.

Question 18: c) should any additional fee increase be applied nationally once all local planning authorities meet the required criteria, or only to individual authorities who meet them?

If at all, the fee increase should be applied nationally.

Question 18: d) are there any other issues we should consider in developing a framework for this additional fee increase?

The planning and development management process comprises the regulator for the supply system; it seems inappropriate to expect the 'poacher' to pay for the 'gamekeeper'.

Question 19: having regard to the measures we have already identified in the housing White Paper, are there any other actions that could increase build out rates?

The Housing White Paper, and this consultation paper assume that the only delivery mechanism for housing comprises the market. Within the market system, encouragement of more developers and greater competition would be of benefit. Alternative supply systems to the market, such as funding for Housing Associations or Local Authorities, and legislation to discourage 'land banking' are examples of actions which could readily increase build out rates. Please also see our response to the Housing White Paper consultation for further details.