

LSE London response to the *Fixing our broken housing market* consultation 2 May 2017

Members of the LSE London research group, together with academic and research colleagues from elsewhere, met on 26th April to discuss our response to the consultation around the Housing White Paper. Those endorsing this response are listed at the end of the document. Here we present an overview, plus responses to some specific questions.

Overview

Our overall response to the White Paper was one of disappointment. We had hoped to see suggestions for significant structural changes which could generate sustainable growth in housing output. We had also hoped to see changes to the planning system to make it simpler to operate and outcomes more predictable. Instead, in our judgement, the combined effect of the proposals if implemented would be to make it more complex and decisions more uncertain.

The White Paper, far from offering significant structural change, puts forward a large number of relatively minor modifications to address specific problems, which together do not make up an agenda to fix the 'broken' housing supply system. The paper confines itself almost entirely to new housing and hardly touches issues around how to improve the existing housing market. Even within the discussion of new housing the paper says very little about affordable housing and provides almost no insight into major issues such as homelessness. There is also almost nothing on the private rented sector (*pace* the other consultation on Build to Rent, to which we will reply separately). Its title promises much but it delivers at best a 'steady-as-you-go' agenda which cannot hope to address the crisis. Importantly in many areas it actually *adds* to complexity, and it makes some policies (such as Green Belt) if anything more opaque.

Most importantly the White Paper does not address, or simply moves into further consultation, some of the essential preconditions for change. These include

- improving the estimation of objectively assessed need (or, better, demand)
- clarifying and simplifying CIL and S106 - which is fundamental to generating a more certain and transparent system
- setting out how viability should be assessed - which depends on the answers on CIL/S106
- better integrating permitted development into the system
- ensuring an adequate supply of land.

These are most of the fundamentals for change; much of what is in the White Paper could perhaps be ungenerously called meddling at the edges. Sometimes the individual

suggestions would plausibly help, but the overall feel is of increased micro-management and increased complexity.

We would like to highlight some good elements, however. In particular we welcome the suggestions about improving access to information, especially by allowing free access to Land Registry data. We also note that there are major deficiencies in the data on planning permissions and starts and completions, as well as a virtual absence of data on housing land prices. The quality of construction data often results in large-scale adjustments between quarterly and annual figures which bring these data into disrepute. This is a highly undesirable situation because useful analysis (and indeed informed or constructive criticism) of housing delivery needs to be based on accurate measurement.

Responses to detailed questions

From Chapter 1: Planning for the right homes in the right places

Q3	Do you agree with the proposals to: b) from early 2018, use a standardised approach to assessing housing requirements as the baseline for five year housing supply calculations and monitoring housing delivery, in the absence of an up-to-date plan?
Response	We agree on the importance of consistency and suggest that it is particularly important that neighbouring authorities within local housing markets employ a standard approach to taking account of each others' needs and plans. However consistency means there must be an agreed position about what the objectives and economic conditions are, and what is meant by 'need'. Moreover given that supply and the price of housing are the problems, any improved methods must be informed by economic insight. Consistency of methods around an inappropriate model would not be helpful. It is not clear from the WP how a new methodology is to be developed. Further consultation is (unhappily) therefore required. Were an appropriate format to be suggested and shown to work it should then become compulsory.
Q5	Do you agree that regulations should be amended so that all local planning authorities are able to dispose of land with the benefit of planning consent which they have granted to themselves?
Response	Without some checks and balances this could result in LAs feeling they have permission to give inappropriate permissions to maximise their own revenues.
Q8	Do you agree with the proposals to amend the National Planning Policy Framework to: a) highlight the opportunities that neighbourhood plans present for identifying

	<p>and allocating small sites that are suitable for housing?;</p> <p>b) encourage local planning authorities to identify opportunities for villages to thrive, especially where this would support services and help meet the authority's housing needs?;</p> <p>c) give stronger support for 'rural exception' sites – to make clear that these should be considered positively where they can contribute to meeting identified local housing needs, even if this relies on an element of general market housing to ensure that homes are genuinely affordable for local people?; d) make clear that on top of the allowance made for windfall sites, at least 10% of sites allocated for residential development in local plans should be sites of half a hectare or less?;</p> <p>e) expect local planning authorities to work with developers to encourage the subdivision of large sites?; and</p> <p>f) encourage greater use of Local Development Orders and area-wide design codes so that small sites may be brought forward for development more quickly?</p>
Response	Yes, these seem like sensible changes.

Q10	<p>Do you agree with the proposals to amend the National Planning Policy Framework to make clear that:</p> <p>a) authorities should amend Green Belt boundaries only when they can demonstrate that they have examined fully all other reasonable options for meeting their identified development requirements?</p> <p>b) where land is removed from the Green Belt, local policies should require compensatory improvements to the environmental quality or accessibility of remaining Green Belt land?</p> <p>c) appropriate facilities for existing cemeteries should not to be regarded as 'inappropriate development' in the Green Belt?</p> <p>d) development brought forward under a Neighbourhood Development Order should not be regarded as inappropriate in the Green Belt, provided it preserves openness and does not conflict with the purposes of the Green Belt?</p> <p>e) where a local or strategic plan has demonstrated the need for Green Belt boundaries to be amended, the detailed boundary may be determined through a neighbourhood plan (or plans) for the area in question?</p> <p>f) when carrying out a Green Belt review, local planning authorities should look first at using any Green Belt land which has been previously developed and/or which surrounds transport hubs?</p>
Q11	Are there particular options for accommodating development that national policy should expect authorities to have explored fully before Green Belt boundaries are amended, in addition to the ones set out above?
Response	An important opportunity has been missed to take note of the costs as well as the benefits of the Green Belt and to ensure that the objectives of Green Belt designation and the true value to society are better reflected in the review approach. The costs of Green Belt in terms of generating a shortage of developable land, increasing house prices in precisely those parts of the country where demand for housing and its social productivity is greatest, inefficient

	<p>energy use, pollution and congestion should be clearly measured and taken into account. Investment in major infrastructure that affects the value and potential use of Green Belt land should trigger a review of the changing costs and benefits.</p> <p>As suggested in the Barker Review, there is a strong case for supporting trade-offs between 'bad' existing Green Belt -- i.e. areas where there are few benefits from leaving the land undeveloped but very significant benefits from development-- and 'good' potential Green Belt, where introducing such a designation would produce welfare gains.</p>
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Q13	<p>Do you agree with the proposals to amend national policy to make clear that plans and individual development proposals should:</p> <ul style="list-style-type: none"> a) make efficient use of land and avoid building homes at low densities where there is a shortage of land for meeting identified housing needs?; b) address the particular scope for higher-density housing in urban locations that are well served by public transport, that provide opportunities to replace low-density uses in areas of high housing demand, or which offer scope to extend buildings upwards in urban areas?; c) ensure that in doing so the density and form of development reflect the character, accessibility and infrastructure capacity of an area, and the nature of local housing needs?; d) take a flexible approach in adopting and applying policy and guidance that could inhibit these objectives in particular circumstances, such as open space provision in areas with good access to facilities nearby?
Q14	<p>In what types of location would indicative minimum density standards be helpful, and what should those standards be?</p>
Response	<p>We are currently achieving a quite extraordinary mix of densities, especially in London. These often bear little relationship to the principles of planning, which hold that higher densities should be allowed in places with good transport accessibility. Sensible approaches to density can be thwarted by existing regulations: in particular many local authorities have maximum height limits which make no sense in the current environment. These should be reviewed. Government should aim for a system that allows more overall coherence and facilitates higher densities where these are desirable in social, economic and planning terms. This would be unlikely to generate sudden massive increases in density surrounded by low-density developments, but rather would enable better place-making and more consistent use of infrastructure. Instead the whole tone of this section is dirigiste and prescriptive.</p> <p>Importantly there is very little understanding of the long-term costs of maintaining and improving super-dense developments. We fear that the incentives are to build cheaply and to transfer costs into the future. We would not advise forcing local authorities to set minimum density levels, but would rather see appropriate guidance about good practice.</p>

From Chapter 2: Building homes faster

Q20	<p>Do you agree with the proposals to amend national policy so that:</p> <ul style="list-style-type: none"> • the status of endorsed recommendations of the National Infrastructure Commission is made clear?; and • authorities are expected to identify the additional development opportunities which strategic infrastructure improvements offer for making additional land available for housing?
Response	<p>We welcome the expectation that authorities should identify additional opportunities arising from strategic infrastructure improvements. This is particularly important in the Green Belt, where authorities that are significantly affected should be required to review their Green Belt designations.</p>

Q30	<p>What support would be most helpful to local planning authorities in increasing housing delivery in their areas?</p>
Response	<p>Ensuring local authorities have adequate resources to carry out their planning procedures in the correct and effective manner. We welcome the WP suggestions on increasing planning fees but note that they must be used to support an effective delivery service which may mean spending some of the money on skills that lie outside the planning department. We are cautious as to the idea of charging for appeals since this breaches the principle that access to justice should be free.</p>

Q31	<p>Do you agree with our proposals to:</p> <ol style="list-style-type: none"> a) amend national policy to revise the definition of affordable housing as set out in Box 4?; b) introduce an income cap for starter homes?; c) incorporate a definition of affordable private rent housing?; d) allow for a transitional period that aligns with other proposals in the White Paper (April 2018)?
Response	<p>We welcome the decision to include rented accommodation within the starter homes definition and understand the need to use a market-based approach to affordable housing in Build to Rent developments. However we find the overall approach to defining affordable housing to be both over-complex (as is obvious from Box 4) and often unrelated to the delivery of truly affordable homes.</p>

Q32	<p>Do you agree that:</p> <ol style="list-style-type: none"> a) national planning policy should expect local planning authorities to seek a minimum of 10% of all homes on individual sites for affordable home ownership products?
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	b) that this policy should only apply to developments of over 10 units or 0.5ha?
Response	There should be no minimum specified. Exempting developments of under 10 units from any affordable housing requirements would create serious and perverse incentives with developers seeking to maximise the number of proposals below that threshold and LAs increasingly unwilling to permit small developments. This would end up both increasing costs (because there are economies of scale) and making life even more difficult for smaller developers. Instead – if S106 is to be left in place – the proportion of affordable housing should be a matter for local policy and negotiation. Although this proposal may have been designed to simplify the system it will add serious distortions.

Signed:

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