

HOUSING DELIVERY & PLANNING POLICY REFORMS

THE POLICY AND POLITICAL JOURNEY OF THE LURB

rpsgroup.com



INTRODUCTION

The UK housing crisis has been identified as one of the biggest challenges facing the current Government and until recently, the Government remained committed to building 300,000 new homes every year, as set out in the 2019 Conservative Manifesto. Former Prime Minister Boris Johnson also pledged to “continue to increase the number of homes being built”, and referred to a need to rebalance the housing market towards more home ownership. However, the current housing secretary, Michael Gove, has since scrapped the housing targets amid mounting pressure from backbench MPs and is seeking to make further changes to the planning system with revisions to the National Planning Policy Framework (NPPF).

We assess the Government’s delivery of housing, and the key planning reforms that have been introduced to determine whether they are likely to aid or hinder the delivery of housing across England and address the UK’s current housing shortage.

DELIVERY OF HOMES

Prior to 2019, the number of new dwellings in England had been increasing year-on-year since 2013, with the annual supply reaching a peak of 242,700 net new dwellings. However, delivery has slowed despite the Government’s housing ambition. Fewer than 233,000 new homes were built in 2021-2022¹.

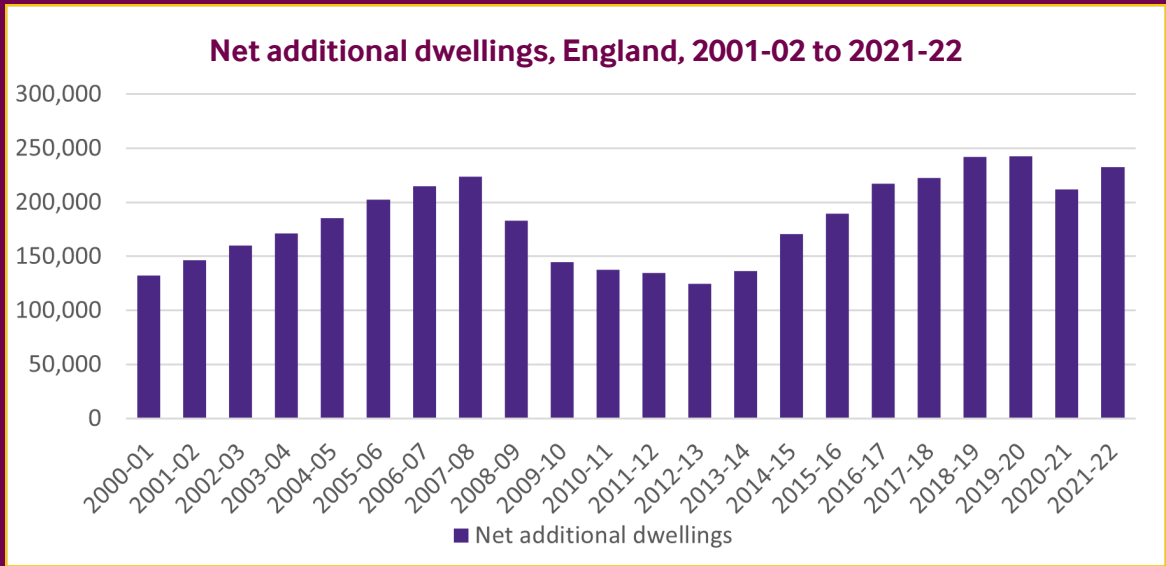


Figure: Net additional dwellings, England, 2001-02 to 2021-22
(Source: DLUHC (24 November 2022))

The picture is even bleaker for the delivery of affordable housing. According to data from the Department for Levelling Up, Housing and Communities (DLUHC), an average of 52,000 additional affordable homes have been provided in England per year between 2001 and 2022².

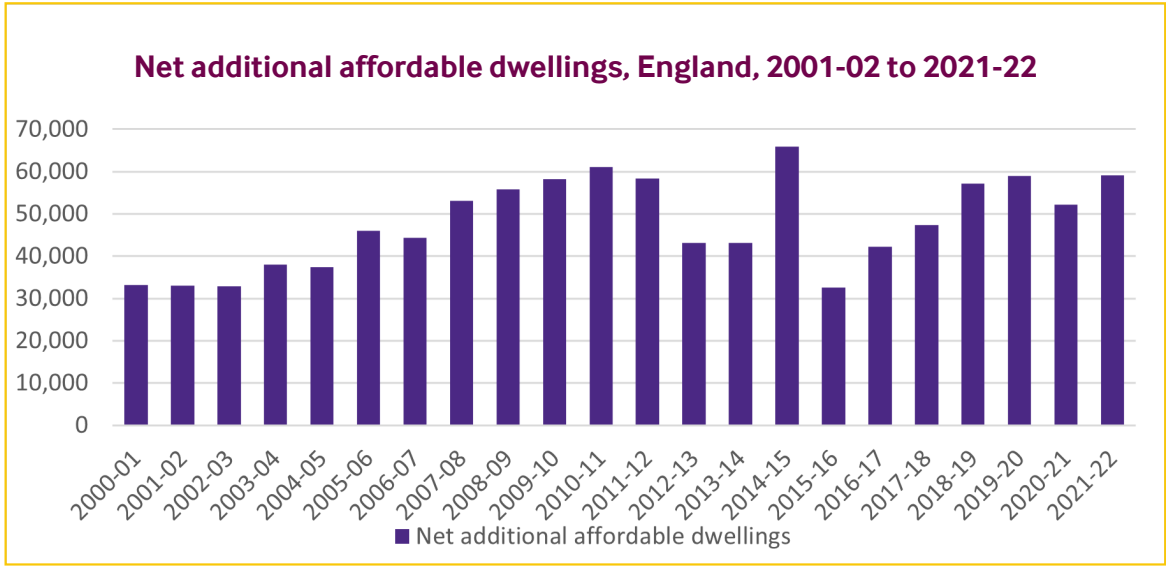


Figure: Net additional affordable dwellings, England, 2001-02 to 2021-22
(Source: DLUHC (1 December 2022))

Research commissioned by the National Housing Federation (NHF) and Crisis from Heriot-Watt University identified around 340,000 new homes need to be supplied in England alone each year to 2031, of which 145,000 should be affordable³. Clearly, housing delivery is far below these figures as demand continues to outstrip the supply. Something needs to change.

THE STORY OF PLANNING REFORMS TO DATE

Planning reform has long been on the agenda of the Government with the publication of the following:

- Planning for the Future White Paper (6 August 2020);
- Levelling Up White Paper (2 February 2021); and
- Levelling Up and Regeneration Bill (LURB), introduced into Parliament on 11 May 2022.

From day one, Boris Johnson’s aims were to take radical steps to make the UK more prosperous, encourage sustainable and beautiful development, tackle inequalities that hold back communities and encourage private sector investment right across the UK. He also wanted to streamline local plan making and encourage a wider engagement from the community to be involved in shaping their local communities. The Levelling Up White Paper identified that changes to the planning system would “ensure that planning becomes a tool for levelling up across England”⁴.

Through the introduction of the LURB and subsequent legislation, the Government has committed to levelling up the country, building more homes, empowering communities to make better places and regenerating towns and cities. The foundations have been put in place for delivering the Government’s agenda, which is promised to be the catalyst for delivering a long-term programme of change to unlock the potential of people and places in the UK.

THE CURRENT PROPOSED PLANNING REFORMS

The LURB is currently being passed through Committee at the House of Lords⁵. These are some of the new reforms that are included in the examination:

- National housing targets will be changed to advisory.
- Local Planning Authorities (LPA's) will no longer need to maintain a rolling five-year supply of land for housing, providing local plans are up to date.
- Green Belt protections will be strengthened.
- Brownfield land will be prioritised for development.
- LPA's will be able to set a new Infrastructure Levy, designed to replace Section 106 and the Community Infrastructure Levy (CIL).
- New penalties will be issued to slow developers failing to build already-approved homes, including blocking planning proposals.
- National Development Management Policies (NDMP) will be introduced.
- 115% threshold of permissions for housing delivery to remove the presumption in favour of sustainable development.

Full details have not been provided and will come forward through additional legislation which will likely be subject to future consultations.

On 22 December 2022, DLUHC also published their proposed revisions to the NPPF for consultation, with notable reforms on housing delivery, design, and local plan progression. The key proposals are as follows:

- Past over-delivery can be deducted from the housing requirement figure in a new local plan.
- Caveat that Council's don't need to meet housing need in full, where doing so would mean building at densities significantly out of character with an existing area.
- Changes to the tests of soundness for plan-making, specifically the removal of the 'justified' test and amendments to the 'positively prepared' test.
- The standard housing methodology is now an advisory starting point for housing requirement.
- Intention to retain the uplift of 35% to the assessed housing need for the 20 largest towns and cities in England.
- Removal of requirement for LPA's to demonstrate a deliverable five-year housing land supply.
- Additional referencing to supporting 'beauty' in design, with a stronger emphasis on design codes.
- Greater protection for the Green Belt in plan-making and removing the need to review Green Belt boundaries to meet housing needs.
- Past "irresponsible planning behaviour" should be a material consideration for applications.

These proposed changes to the NPPF reflect the Government's steer to align with the LURB and could have a major impact on the supply of new housing in the short and long term.

THE TRANSITION OF REFORMS

The Government are seeking for the revised NPPF to be positively influenced through the current consultation with key stakeholders. It's anticipated the Government will adopt the updated NPPF in Spring 2023. The quick turnaround of the consultation will minimise further delays to the planning system, whilst creating a transition period for plan-making.

However, parties within the planning system will have a small timeframe to adapt, with a likely result of fewer sites coming forward for development, fewer planning application submissions and a slower planning system overall until the transition has settled. As further details have not been provided and additional consultations are proposed on the planning changes, levels of uncertainty will remain high.

Not all the changes have been subject to a transitional period. The changes in relation to fire safety and requirements for additional stair cores for residential buildings over 30m was imposed with immediate effect by London Mayor Sadiq Khan, including all live planning applications. Applications that do not meet these requirements will not be referred to the Greater London Authority (GLA) Stage 2 for the Mayor's decision and are effectively halted. It's important that residential units are safe and meet the necessary safety requirements. But the sudden transition was seen by many as unhelpful, with little thought of the wider implications as schemes in the final stages of the planning process were now unable to proceed, and effectively had to be reviewed. This culminated in significant challenges, not least on viability grounds, and the ability to continue to fund the schemes to progress has also been an issue in some cases. This has led to potential new homes coming forward now being stalled or even scrapped.

This demonstrates the importance of introducing sufficient transition periods and supporting change to ensure the planning system works for everyone.

Going forward, the incorporation of additional circulation space will result in the overall delivery of fewer units, including affordable housing, and an increase to the cost of development, hindering the viability of affordable housing projects. A sensible and orderly transition period is necessary for any new changes to regulations to ensure unintended consequences do not emerge.



A SHIFT FOR LPA's AWAY FROM DEVELOPMENT?

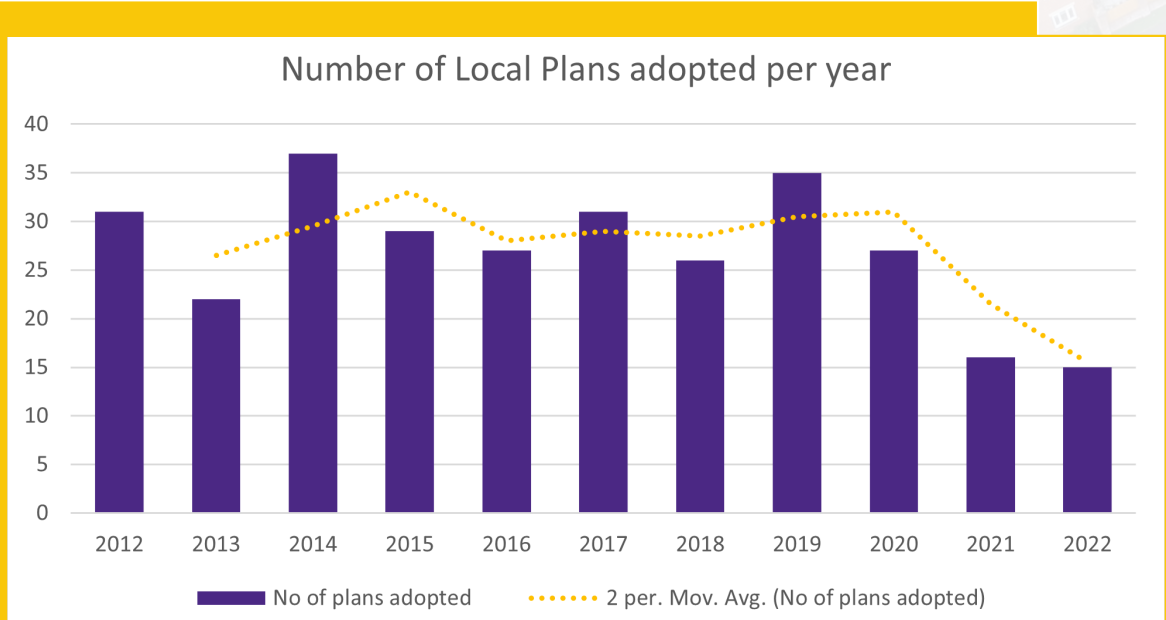
With a greater shift towards localism, council's will no longer have a mandatory national housing targets and will not be penalised for not achieving their delivery targets. Instead, local methodologies will likely be used to cater to each individual council's local housing need, giving more control to local government to plan for homes that can be built, where there are significant spatial and environmental constraints. As a result, there will be less urgency for councils to bring forward development.

The new 'switch off' to the presumption approach to the over-delivery of housing deviates from how housing delivery is currently calculated on a supply basis. Instead, a permissions-based approach indicates that the council's role stops once planning permission has been granted. There are many reasons as to why housing is not always delivered and this could incentivise LPA's to permit schemes that are likely to have higher costs and may not be built out, especially in urban areas where development is to be focused. This would likely lead to the double counting of permissions, without the equivalent delivery.

These proposed changes have created the freedom to push back development at a local level, resulting in uncertainty within the planning system. Arguably, the reforms are shifting away from a pro-development NPPF to policies that effectively limit and block development due to local politics. This is against the Government's original aims of encouraging private sector investment and the delivery of more homes.

It is hard to understand how these proposed reforms are anything but a weakening of national policy for housing delivery and councils will need time to prepare new Local Plans.

- Currently, one in ten local authorities in England have withdrawn or delayed local or regional plans, stating the mixed messages around reform was making plan production too difficult.
- Figures from the Planning Inspectorate show that the number of plans adopted has fallen to the lowest since the NPPF was adopted⁶.



There are 28 local authorities that have paused local plan-making, resulting in an estimated loss of 11,200 homes per annum⁷ as well as the loss of developer contributions for vital infrastructure and the provision of affordable housing.

The delay in plan making limits the delivery of housing and locks up the opportunity for economic growth at a time where the UK is on the verge of recession.



IMPACTS TO DEVELOPERS

At a time where the country has a chronic housing shortage, the Government should be encouraging housing delivery and economic growth. Instead, the uncertainty in the planning system, lack of consistency with the reforms and rising costs currently acts as a barrier on development. As a result, the ability of housebuilders to gain planning permission for schemes is severely limited.

With a drive for development to be focused on brownfield land and within the 20 largest cities and towns, development will become more costly as this land is limited. Once the number of readily available brownfield sites has diminished, development at greater densities or edge of settlement locations will need to be considered. Most of these urban areas are surrounded by Green Belt, which no longer needs to be released. Development costs will spiral, and more schemes will be unviable. If new housing is delivered, there will certainly be a lack of genuinely affordable housing and an inability to achieve Net Zero.

It is widely understood that LPA's are currently under resourced, resulting in significant delays to the planning system. To combat this, the Government are proposing to increase planning application fees to provide greater financial stability and offer a better planning service. This would likely be a welcomed change for developers, **only** if a better service is to be provided and applications are to be determined within the statutory periods.

- According to the current 'Increasing planning fees and performance' technical consultation, this will help address an identified annual £225 million funding shortfall within the planning application service⁸.

The technical consultation also seeks to remove the 'free go' for repeat applications and ringfence planning fees for use solely within the council's planning departments. There's significant risk that if these increases in fees do not result in a better service, whereby councils work positively and proactively with applicants or the 'free go' is removed, the costs will further mount for developers for no added return. Developers would lose further confidence in the system and the supply of housing will fall.

Small or Medium Enterprises (SMEs) will feel the brunt of these changes as they do not have the supply of land or funding to fall back on, especially as the price of lending has increased. Large-scale developers will be able to re-align their supply chain and have land banked to provide sufficient stock for future development.

Combating slow or non-delivery can be seen as a positive change, allowing LPA's to refuse planning applications for developers who have built out slowly in the past. Whilst further details have not been provided, this would encourage planning permissions to be implemented and completed, reducing the gap between permissions granted and the new supply of residential development. However, councils will need to consider why schemes have not been delivered, to prevent penalising the wrong developers which would reduce confidence within the planning system.

For the planning system to deliver new homes, the reforms need to work for everyone.

WAS THIS ORIGINALLY INTENDED BY THE WHITE PAPERS?

The previous White Papers set out that the changes would:

- Streamline and simplify the role of Local Plans
- Focus on design and sustainability
- Ensure more land is available for the homes and development people need

The proposed reforms appear to be a missed opportunity and do not meet all of Boris Johnson's original aims. The NPPF revisions implement a conflict between beauty and delivery when there is an opportunity to encourage both alongside each other.

The planning system was intended to be simplified and make it more effective in growth and zoning. The introduction of NDMPs has the potential to speed up plan-making and remove the repetition of Local Plan policies and provide a framework for consistent decision making. However, the introduction of Design Codes and Supplementary Plans could result in further work for the struggling planning departments and if the revisions to the NPPF are implemented, there will be a national policy shift away from development and growth.

There needs to be more of a balance to hold Local Plans accountable for the delivery of new homes as the reforms only appear to limit the land available for development and obstruct the supply of land for new housing. At a time of economic downturn and rising costs, growth should be encouraged. A reduction in supply, will only make homes and rents less affordable which will act against the Government's agenda for driving levelling up.



FINAL THOUGHTS

Michael Gove summarises the planning changes by stating: "No planning reforms will ever be perfect, but I judge that the Bill, alongside the broader policy changes that I am proposing above, will leave us with a significantly improved planning system than the status quo."

Since the reforms and consultations have been announced, further uncertainty and doubt has crept into the planning system.

With a general election likely to take place by the end of 2024, the current Conservative Government will need to ensure the planning reforms are refined, comprehensively reviewed, and implemented swiftly to prevent further delays for LPA's and developers. Without certainty, gazes may shift towards a new Labour Government who are pledging to deliver at least 400,000 council homes and increase home ownership to 70%⁹. This is no easy task and would likely be a result of further planning reforms.

The current Prime Minister Rishi Sunak has identified five key priorities for 2023. Disappointingly, housing delivery has not featured as one of his priorities. This could be because of back bencher pressure or simply that the realities of the problem are not deliverable in any meaningful way between now and the next general election. Clearly, housing delivery is not a priority for the Government and has wider ramifications across the housing supply chain.

Successive Governments have tried to address the national housing crisis and yet we are no closer to finding a solution. As suggested by Simon Clarke, the former Secretary of State for Levelling Up, Housing and Communities, was a laudable one which seeks to see 'housing delivery' a cross party objective rather than be used as a political stick at a local level which simply stifles delivery.

In his tweet on 1st March 2023, he said:



A practical method to tackle the housing crisis could be to encourage collaboration across all political parties to determine common ground for where housing should be delivered and the best approaches to do so. A collective approach with stable, long-term policies and regulatory framework would provide consistency and certainty that encourages investment and facilitates growth, would allow the UK's residential housing market to thrive.

At a more local level, a replacement to the 'duty to co-operate' will be vital for a more effective approach to strategic planning, especially as development is to be focused within the 20 largest towns and cities. This could result in positive long-term change in order to finally deliver the houses that this country desperately needs.

Ultimately, a strong and stable planning system is vital in bringing forward growth and development that the country desperately needs to achieve the Government's aim of levelling up the UK.

REFERENCES

¹ Data from Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government

² Data from Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government

³ Housing supply requirements across Great Britain for low-income households and homeless people: Research for Crisis and the National Housing Federation; Main Technical Report, April 2019

⁴ Planning for the Future: Planning policy changes in England in 2020 and future reforms, 11 February 2022

⁵ UK Parliament 2023: Levelling-up and Regeneration Bill

⁶ Planning Inspectorate – Local Plan: Monitoring Progress: <https://www.gov.uk/government/publications/local-plan-monitoring-progress/plans-containing-strategic-policies>

⁷ Research by Lichfields

⁸ Technical consultation: Stronger performance of local planning authorities supported through an increase in planning fees, DLUHC, 28 February 2023

⁹ Lisa Nandy (shadow minister for levelling up, housing and communities) speech delivered to Labour Party Conference in Liverpool 2022, <https://labour.org.uk/press/lisa-nandy-conference-speech/>



ABOUT RPS

Founded in 1970, RPS is a leading global professional services firm of **5,000 consultants** and service providers. Located in **125 countries** across all six continents, RPS define, design and manage projects that create shared value for a complex, urbanising and resource scarce world.

Through our network of offices across the UK we offer a unique and unparalleled range of development and planning services based upon many years of experience in both the private and public sectors.

For more information about our Planning services visit:
www.rpsgroup.com/services/planning-and-approvals

Or scan here:



For more information contact:



Thomas Roe MRTPI
Senior Planner

T: +44(0)7917 555 577
E: thomas.roe@rpsgroup.com