

THE ROYAL TOWN PLANNING INSTITUTE

PLANNING FOR HOUSING PROVISION

A response to the Office of the Deputy Prime Minister
on its consultation on the development of housing policy
to inform the drafting of a new planning policy statement

16 September 2005

2005/34

INTRODUCTION

1. This consultation paper, issued by the Office of the Deputy Prime Minister, sets out the Government's objectives for delivering a better supply of housing through the planning system. It proposes a new policy approach to making the planning system more responsive to the housing market within the overall objective of planning which contributes to sustainable development. The paper can be found on the ODPM website at http://www.odpm.gov.uk/stellent/groups/odpm_planning/documents/page/odpm_plan_0391_32.pdf.
2. The key elements of the new approach are claimed to be –
 - assessments of need and demand, and development of plan policies, on the basis of a robust evidence base, that look at housing markets and are developed in partnership with stakeholders; and
 - a proactive approach, using positive planning to deliver appropriate housing land, keep provision under review, and maintain a rolling 5-year supply of housing land within a 15-year time horizon.

The consultation paper discusses how planning delivers housing at the local level, and the new mechanisms proposed. It does not address issues concerned with the overall level of housing growth and how it is determined.

3. Specifically, ODPM's aims, though this consultation, are –
 - to establish whether the policy approach provides a good basis on which to plan for delivering land for housing; and
 - to give consultees the opportunity to put forward views.
4. The Government intends to publish a draft of *PPS 3 – Planning for Housing* in the autumn. This will draw on the responses to the previous consultation paper - *Planning for Mixed Communities* - and on those to this paper.

GENERAL COMMENTS

5. The RTPI must firstly express its concerns at the detail within this consultation document and would very much appreciate the opportunity to discuss these concerns and others relating to the preparation of PPS3 with ODPM in a constructive manner. Although the RTPI is encouraged by the intentions behind this consultation paper, that is to increase housing supply and to make planning more responsive to housing markets, the RTPI feels that what is being proposed to meet these aims is inappropriate.
6. The RTPI is concerned that in attempting to provide guidance to meet these well intentioned aims, ODPM seem to have forgotten what planning's role is in creating and supporting housing markets.
7. The planning system has a duty to help stimulate demand in existing communities through upgrading social infrastructure, creating better environments and improving the perception and appearance of an area. By placing too much emphasis on market signals as an indicator of housing supply we risk ignoring other planning considerations. Yes, we must support the drive for more housing, but not at the cost of other sustainable planning considerations, planning is about finding a balance between often competing land use interests. The inherent risk of what would essentially reduce planning to one issue is that other considerations such as social issues, and the environment would suffer in favour of the housing market.
8. Furthermore, this type of market led approach would undermine the research based analysis that is now, quite rightly, required for development plans. In terms of sustainability appraisals for instance, by placing too much emphasis on one aspect (economic) at the detriment of others (social and environmental), plans may be considered as "unsound"
9. Housing allocations, as proposed, reject need in favour of demand. This will result in housing being delivered where it is demanded rather than where it is needed. There is a big difference between housing need and demand, particularly in terms of location, tenure, size and of course affordability. Housebuilders will naturally seek to provide housing that maximises economic return, but by allowing market demand to lead house building we will be failing those that need our help the most, those who are unable to influence demand in the market place, those who need truly affordable houses to be built.
10. Planning for Housing Provision follows the Barker opinion that more houses means cheaper houses, the RTPI is concerned that this perspective is simplistic and does not truly address all aspects of affordability. Housing has several unique features that make conventional market economics inappropriate, such as fixed location, with values dependent on many externalities, their long life and the fact that they are (increasingly) regarded as an investment rather than consumption, demonstrated by the growth of the buy to let sector.
11. As it stands, new, open market housing, is out of reach for many, especially if they are not already on the property ladder. Increasing housing supply, even on a substantial scale, is only likely to have a negligible effect on affordability. Affordability can only be realistically addressed by good planning/regeneration programmes and policies, such as the key worker housing scheme. This example is anything but market driven, but demonstrates the need for planning to play its role in the delivery of affordable housing. Put simply, to

address affordability, planning needs to be creating housing markets, not following them. By placing too great an emphasis on housing markets, you are reducing the capabilities and potential of planning led regeneration, which is fundamental in addressing the existing housing affordability crisis.

12. By giving predominance to housing market indicators to the degree proposed, you in effect take away planning's powers of creating and influencing housing markets by placing far too much emphasis on market signals and placing demand above need. In attempting to make planning more responsive to markets, it would instead make planning subservient to markets.
13. The consultation document fails to address, or even acknowledge the political processes and influences involved in allocating future housing growth. In areas such as the South East that are earmarked for major future growth, there already exists severe political barriers that need to be addressed before proposed development can proceed. A future pitfall of the creation of housing market areas is differing political ownership of housing market areas, which has the potential to create further barriers to development. The RTPI feels that it would be beneficial if "Planning for Housing Provision" acknowledged these issues.
14. The RTPI is concerned by the consultation process undertaken for this draft policy statement and has raised these concerns in a previous letter to ODPM. No further comments relating the consultation process will be made within this response, although the RTPI refers you to its earlier letter relating to this matter.
15. One final general comment, LPAs are currently adjusting to the new planning system, and would certainly benefit from a period of stability in which they can "bed in". Some of the consequences of the proposed changes in policy may be -
 - The need for an LPA to review the mix of DPDs making up its LDF, so requiring formal amendment to its LDS, deflecting scarce resources from plan-making, and affecting existing programmes;
 - A lack of confidence in LPAs by those communities that have been effectively "engaged" by their LPA, but now see only confusion and apparent uncertainty; and
 - Added stress being placed on the already fragile relationship between the RSS and DPDs in terms of compatibility of preparation timescales and subsequent conformity.

DETAILED COMMENTS

The challenges

Worsening affordability

16. *Paragraphs 9-13:* Making housing more affordable is clearly an important challenge, but can we ever provide truly affordable housing so long as housing remains a key investment for many people, and one which brings such good returns? In the market situation, by which the consultation paper sets so much store, housing is as much about investment as about providing a home. One major housebuilder has currently set itself against any lowering of profit margins for its houses and is happy to build less in order to keep up prices. The implications of this approach – for both housing supply and land availability - need to be considered carefully. Do all the major housebuilders take the same view? If

they do, with as few as five of them providing 30% of all the private housing, there may be terminal implications for the Government's market-led policy stance.

17. Using the market to influence affordability brings into play the most simplistic of economic theories – that increasing supply will reduce prices. The link between house prices and land availability is in fact very complex. Simple relationships do not apply, and the RTPI is sceptical about using demand as a main driver of strategic planning. In recent years, the availability of “cheap” finance has been as much a determinant of rising house prices as the shortage of housing per se.

Land supply constraints

18. *Paragraphs 15-22:* Housebuilders are driven largely by commercial self-interest, and the links between housing supply and affordability are at best rather tenuous, it is possible to argue that the importance of the constraints on land supply are somewhat overstated in the consultation paper. The “implementation gap” certainly exists, but it would be misleading to suggest that it is solely responsible for the significant underperformance of recent years.

Responding to the housing market

19. *Paragraphs 23-28:* The RTPI must express some concern about using the market to tackle housing shortages. Development proposals can be informed by the market but, at both the strategic and local levels, sound spatial plans have to balance the economic, social and environmental dimensions. It is unlikely that the mandatory sustainability appraisal of development plans will consistently support subservience to the housing market. In other words, it may be difficult to demonstrate the soundness of a DPD where the evidence base for the proposals is derived largely from market factors.

The Barker Review

20. *Paragraphs 33-35:* The Government's proposals are founded on the Barker Review which concluded that higher and more responsive levels of housebuilding would lead to a lower trend in house prices, in real terms. This analysis assumes a link between planning and housebuilding - where the planning system is restricting the land supply that the builders need. There are flaws in this argument.

21. The relationship between supply and demand appears to be taken as read by both Barker and Government, but housing has several unique features that make conventional market economics inappropriate and thus makes housing less susceptible to the normal laws of economics. This, again, brings us back to the critical distinction between housing demand and housing need.

2. PROPOSED POLICY APPROACH

(a) Planning for housing markets

22. *Paragraphs 3-7:* The RTPI supports the proposal to identify sub-regional housing markets in RSS, and to determine the level of housing growth by market areas and the local authorities that make them up. This is a much more intelligent approach than relying on administrative boundaries, and is something that the RTPI and CIH called for in their joint policy paper “The Potential for Sustainable Communities”. However, if these market areas are to work effectively, it is important that they are not imposed in isolation, that they are linked with other considerations such as transport (spheres of influence) and employment (journey to work) and related to an understanding of an authorities abilities to work together
23. *Box 2.1* demonstrates why a housing market approach is important. It also points to the need for LPAs to work together in allocating housing land. This is clearly the way forward,

but a word of caution is necessary, growth apportionment must be based on housing need assessments, and not simply on projections of demand.

24. The consultation paper fails to address the severe regional imbalance across England, or the North-South Divide. The market-led approach now being advocated will simply exacerbate the problem by projecting recent trends that recognise most of the South and South East of England as high demand areas, and the converse in the North. The contrasting problems currently experienced in the South East and the North of the country further emphasise the importance of planning's role in creating and directing markets, if house building is directed by demand then future house building will be concentrated in the South and South East to the detriment of other areas. Planning has a responsibility to challenge and react to failing markets, to create demand in these areas of need through sustainable planning and regeneration that considers all aspects, economic, social and environmental.
 25. There is an unquestionable need for new, affordable, housing, and yet we are demolishing houses across the North of England. Making the best of the assets we have, and creating the sustainable future to which we aspire clearly requires the development of a national spatial planning framework within which regional strategies for more balanced economic growth, and the infrastructure that this requires, can be set.
- (b) Identifying land for housing**
26. *Paragraph 28:* There is a case for extending the time horizon of the Core Strategy of the LDF to 15 years, irrespective of how housing allocations might be made. However, this will require co-ordinated timing in relation to RSS review. As this is being written, towards the end of 2005, the RSS reviews currently in the course of preparation mostly have end-dates of 2021 (with a couple looking forward to 2026). This is only 16 years ahead, suggesting that they will have less than 15 years "life" by the date of approval. If Core Strategies do not conform with the RSS, the whole conformity chain is in difficulties.
 27. However, the RTPI has other concerns about extending the time horizon of planning for housing provision to 15 years. As the consultation paper acknowledges, in many instances it will not be possible to allocate sites this far ahead. That means introducing area-specific rather than site-specific proposals into DPDs. Far from creating the certainty that is claimed, this will have the opposite effect. The communities involved, especially those in high demand areas, where there is already opposition to extensive new housing development, will find this lack of clarity unacceptable.
 28. The consultation paper refers to partial reviews of RSS being triggered by changes in the housing market in the context that this would be a reasonably straight forward process, Paragraph 11 on page 23, for example, cites the case of Milton Keynes, where a recent review was completed in 14 months. We suspect that the Milton Keynes example was well-resourced and was "fast-tracked" because it is part of one of the Government's growth areas.) In general, we believe that the reality will be otherwise.