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December 2023

## Housebuilding market study: Planning working paper consultation

Response from The Housing Forum

### **Response submitted by:**

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On behalf of [The Housing Forum](#), 1 Minster Court, Mincing Lane, London EC3R 7AA

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### **About The Housing Forum**

The Housing Forum is the UK's cross-sector, industry-wide organisation that represents the entire housing supply chain. Our growing membership drawn from over 150 organisations across the public and private sectors and includes local authorities, housing associations, housebuilders, architects and manufacturers. All share our determination to drive quality in the design, construction and decarbonisation of UK homes. They have a commitment to partnership working and share in our vision of 'A Quality Home for All'.

In order to achieve this, we have advocate for policy change needed for everyone to live in a good quality, sustainable and affordable home. Our key [Housing Solutions](#) set out how we think this can be achieved.

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## Introduction

The Housing Forum welcomes the [CMA's working paper on housebuilding and planning](#) and for giving us this opportunity to contribute to it.

We are pleased to see the recognition that the number of new homes delivered has been below the level of assessed need and of the role that the planning system needs to play in increasing housing delivery.

The planning system is a key issue for our members from across the housing and construction sectors. We have been established a working group over the last year to look into ways to streamline and strengthen planning, which has produced two key publications:

- 1) [Streamlining planning to build more homes](#)
- 2) [Planning validation requirements: Moving to a planning statement approach instead of checklists](#)

These two reports set out our members' main concerns about the planning system and make recommendations for how to improve it.

**Under-resourcing of local authority planning departments is a critical issue meaning that there is simply insufficient resource to process planning applications in a timely manner. *The proposed further cuts to local authority budgets over the coming years are likely to worsen it to the point of collapse.***

Please see also our responses to recent government consultations on planning:

- [Local plan simplification consultation response from The Housing Forum](#)
- [Developer contribution APPG inquiry response from The Housing Forum](#)
- [Technical consultation on the Infrastructure Levy response from The Housing Forum](#)
- [Planning fees consultation response from The Housing Forum](#)
- [Reforms to NPPF consultation response from The Housing Forum](#)

We have also included answers to your detailed questions where appropriate, below. Our focus is on the English planning system, which is where most of our members are most active.

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# Response to questions

## Analysis of the GB planning system (Section 4)

### Question 4.1

#### 1. Do you agree that planning risk is a key issue for the planning system?

We do agree that planning risk is a key issue for planning applicants and increases the financial risks associated with housebuilding. The risk is especially difficult for smaller housebuilders, who will have less choice of sites to develop should one experience delays in planning or be refused.

#### 2. Do you agree with our analysis of the causes of the uncertainty in the planning system and how they contribute to under-delivery of housing?

We agree with the Authority's identification of the following sources of unpredictability in the planning system:

- The growing range of policy objectives that have become part of the planning system, including environmental regulations.
- The continuous revision of the planning process and resultant uncertainty.
- Lack of up-to-date local plans
- The increased politicisation of the planning process and lack of clear policy around greenbelts.

#### 3. Are there any other factors that we should consider?

The link between the lack of local plans and resultant speculative applications for land that is not allocated for housing could be stronger, as speculative applications are inherently higher risk for applicants. Speculative development also compounds the fourth point above as it is politically contentious and often fuels local opposition to housebuilding. To reduce the role of speculative development, Local Planning Authorities (LPAs) need to have up to date local plans with sufficient land allocated for housing.

The role of policy change outside of planning policy should also be recognised. Environmental protections and changes to building safety are not planning policy changes, but both of these have caused significant delays to the planning process in recent years (via the new requirement for second staircases and the nutrient neutrality rules)

#### 4. Do you consider there to be any significant difference in the level of planning uncertainty between England, Scotland and Wales

We do not have strong enough involvement with planning outside of England to be able to comment on this.

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## Question 4.2

- 1. Do you agree that the current level planning, policy and regulatory costs could threaten the viability of development at some sites? To what extent do you think that this is currently happening? Are some sites and areas more at risk than others?**

It is undoubtedly the case that the costs of submitting a planning application and of complying with all the conditions placed on consent increase the costs of housebuilding. These costs would, in theory, be passed on to the price paid for land. However, we are aware of several factors that prevent this economic mechanism from operating effectively:

- In weaker housing markets or on complex brownfield sites with remediation costs, the land value may fall below zero. This makes development unviable without external funding sources.
- If planning policy or other costs change between the time the land is bought and the final planning conditions discharged, so as to increase costs, this will firstly eat into profits, and then make development unviable.
- Landowners may be unwilling to sell land that is suitable for development for the price that would make it viable. This happens particularly in a falling market, and may be because they are hopeful of a more favourable economic or policy environment in the future.

We are increasingly aware of developments that are at risk of being unviable, or are stalling because of these risks. The increase in construction costs in the last few years has greatly expanded the types of areas affected by unviability. For instance, we are aware of areas in Kent and other parts of southern England where land values are often below zero.

- 2. Do you agree with our analysis that shows the length and complexity of the planning system may contribute to under-delivery of housing?**

We agree that the length and complexity of the planning system contributes to the under-delivery of housing – though there are other factors too. The length and complexity of planning increases costs and uncertainty which may mean that some more marginal sites are never brought forward for planning, even though they are in locations well-suited to new housing (such as brownfield sites within towns and cities).

The length of the planning process also means that it takes longer to deliver new housing, causing cash flow difficulties for housebuilders and meaning that the market is not as responsive to increasing demand for housing as it could be. It also leads to accusations of land-banking, fuelling conflict over housebuilding and deterring some local councils from allocating sufficient land for housing that will be needed in the future, as they are arguing instead that the existing sites have not yet been built out.

- 3. Do you agree that we have identified the key causes of delays in the planning system? Are there any other factors that we should consider?**

We agree with the causes that the Authority has identified to delays in the planning system (the lack of adopted local plans and nutrient neutrality) and also with the

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future risks that you identify (biodiversity net gain, the Building Safety Levy and Future Homes Standard)

However, we think there are others not fully explored:

- Under-resourcing of local authority planning departments and of local authorities more broadly (including departments that include statutory consultees), meaning that there is insufficient resource to process planning applications in a timely manner. *This is a critical issue and proposed further cuts to local authority budgets over the coming years are likely to worsen it to the point of collapse.*
- The need for coordination with other agencies around infrastructure provision. The combination of cuts to local authority budgets and high inflation have compounded this in recent years.
- Changes to building safety rules around second staircases in tall buildings which are holding up planning applications in many urban areas.
- Negotiations over S106 contributions. The rising costs of construction and recent changes to building safety requirements (the second staircase requirement) alongside housing market downturn have increased the number of renegotiations over viability in the last year.
- Water neutrality rules which are holding up planning consent in some areas.

**4. Do you consider there to be any significant difference between England, Scotland and Wales in: i) the extent to which planning policies and costs threaten the viability at some sites; and ii) the causes and extent of planning delays and their impact on delivery of housing?**

We do not have strong enough involvement with planning outside of England to be able to comment on this.

### Question 4.3

**1. Do you agree with our analysis that in some cases local targets may not accurately reflect underlying housing need and the reasons for this? What impact do you consider this has on housing delivery?**

We agree with the concerns you flag around housing targets drawing on out of date population projections. However, moving from the 2014 projections to the (lower) 2018 projections would seem ill-advised, given the recent context of the very high rate of net migration seen over the last two years. This highlights the need for up-to-date population projections to be based on the latest available data.

The process of turning national targets within a country into local ones is inherently political, and there is no one right way to do this. It is rightly the role of government to make decisions over spatial policy and determine which areas are best suited for higher rates of new housing alongside wider infrastructure.

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**2. Do you agree that in some the planning system lacks internal consistency within its objectives, meaning that LPAs may be insufficiently focused on meeting housing need?**

The planning system is about more than simply delivering housing, meaning that there will always be competing agendas within it. We would, however, concur that the recent flux and change in the planning system has created an environment where the incentives and expectations on LPAs are unclear in terms of housing targets in particular, and that this hinders housing delivery.

At The Housing Forum we advocate for delivering housing to be part of a wider strategy for growth which is embedded across the local authority. Planners need to work closely with colleagues in housing departments to understand the need for housing, and all departments need to understand the wider vision for growth, with housing delivery being a key component of this. [We are calling a statutory role for the Chief Planning Officer](#) in local authorities and for planners to be trained and empowered to promote the benefits of housing across their local authority and wider communities.

**3. Are there any other issues relating to targets, incentives or planning constraints that we should consider?**

Councils with up-to-date plans could be rewarded with an increased new homes bonus or allowed to charge higher planning fees (which would be offset from an applicant's point of view by the lower risks involved with planning applications in areas allocated in local plans). Funding for new infrastructure should also be focussed on the areas that are delivering the most new housing.

**5. Do you consider there to be any significant differences between England, Scotland and Wales in either how targets are set, the balance of incentives faced by LPAs and the extent of local planning constraints? If so, how do you think they impact housing delivery?**

We do not have strong enough involvement with planning outside of England to be able to comment on this.

#### Question 4.4

**1. Do you agree with our analysis of how the planning system may be having a disproportionate impact on SME housebuilders?**

We agree that the difficulties with the planning system do have a disproportion impact on SME housebuilders. SMEs are stating clearly that the planning system is their biggest barrier to entry and growth and we see no reason to disbelieve them.

**2. Do you agree that we have identified the key issues faced by SMEs due to the planning system?**

The Authority rightly recognises that the costs of planning applications are proportionally higher on smaller sites, which are more commonly developed by SMEs, and that SMEs are less able to mitigate risk by having multiple sites in progress simultaneously and may be more vulnerable to cash flow difficulties if planning is delayed.

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One of the reasons for this is that planning requirements are typically determined by whether or not something is a 'major' or 'minor' application, but the threshold for being a major application is only 10 homes. We have advocated in our report on [Planning Validation Requirements](#) for either a higher threshold or three-tiered classification, in order to reduce the burdens on sites of 10-30 homes.

**3. Do you consider that the current planning system is incentivised to deliver housing on larger sites? If so, what are the implications of this for the housing delivery?**

The disproportionate burdens of planning applications for smaller sites falls on LPAs as well as on the housebuilders. It may well be more resource-efficient for local authorities to focus on a smaller number of larger sites, though we are not aware of any deliberate strategies to do so from our local authority members. The impact of trying to meet housing targets would be mixed – as smaller sites are likely to deliver sooner than larger sites.

**4. Are there any other aspects of the planning system that have an impact on SME housebuilders that we should consider?**

See answer to Question 2, above on the issues around smaller 'major' applications of 10-30 homes.

We are also concerned that the forthcoming rules on biodiversity net gain are likely to fall hardest on SME housebuilders. This is because they are often developing small infill sites with little space available for wider landscaping or onsite ecological improvements, as well as lacking the resources to employ in-house ecologists.

The length of the appeal process is particularly challenging for SMEs so we would like to see timelines reduced.

**5. Do you consider there to be any difference between how the planning system impacts SMEs between England, Scotland and Wales?**

We do not have strong enough involvement with planning outside of England to be able to comment on this.

## Options for reforming the planning system (Section 5)

### Question 5.1

**1. Should the UK, Scottish and Welsh governments be considering changes to their various existing methods of assessing housing requirements? If so, should providing certainty, stability and consistency to the housebuilding market feature?**

Yes. The methods used to determine housing requirements need to reflect up to date population projections (nothing that 2018 is now nearly 6 years ago, and that there has been much higher than expected net migration in the last two years). They also need to reflect the government's strategic view on where new housing should be built, taking into account both housing demand and the capacity of land and infrastructure.

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Local authorities need certainty over what they need to deliver and the delays in publishing the government's response to the NPPF consultation issued in December 2022 have been very unhelpful. This has been particularly problematic in local authorities where there is controversy over housebuilding (especially on greenbelts) and also a strong possibility of change in political control in the future, causing delays in adopting local plans.

**2. Are the criteria we set out in paragraph 5.19 appropriate for determining an improved methodology for target setting?**

The criteria set out seem sensible. We would concur that there is a need to ensure stability which should be balanced with the value of using up to date population projections. In addition, we would suggest that a degree of political decision-making and strategy is needed in allocating numbers down to local level, which takes into account the capacity of local areas for new housing.

**3. What is the most appropriate method of forecasting housing need – nationally and locally?**

This is a difficult issue. In a demographic sense, it makes more sense to forecast need nationally, or regionally – because labour markets and housing markets traverse local authority boundaries. However, the current top-down nature of the Standard Method used in England has undoubtedly contributed to the sense within some local authorities of having housing targets imposed upon them. Incentives for local authorities who want to build, such as support and funding for infrastructure to support this growth would help resolve this issue. We also advocate for closer working relationships between housing and planning departments within local authorities, which should help planners to be aware of local housing need.

## Question 5.2

**1. How could the financial and resourcing constraints facing LPAs in the production of local plans be mitigated whilst incentivising LPAs to produce local plans on time?**

This is extremely difficult because of the severity of the resourcing constraints on LPAs. Unless local authorities are adequately resourced, they are likely to prioritise emergency responses, and time-critical issues over important but less time-critical issues such as planning. Given the extreme pressures on local authority resources, the government should look only at allocating additional funding to incentivise housebuilding and not at withdrawing funding from those who fail to build.

We do not think that ringfencing fees will work because fee income will not fully cover the cost of running a planning department and LPAs are likely to reduce the amount of other funding they allocate to compensate for additional fee income. See our response [Planning fees consultation response from The Housing Forum](#) on this issue.

We support the Government's efforts to make the plan-making process simpler and faster and the approach to greater standardisation where practical is welcomed. We also welcome the ambition of improving engagement in the plan-making process, and the use of digital tools to assist this. Local communities need support to

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recognise the value in engaging at this early stage, creating a smoother process downstream of granting applications that are in line with the Local Plan.

We do have some concerns that we feel the Government needs to address to realise its ambitions:

- It is vital that the current situation where only a minority of local authorities have an up to date adopted plan is addressed. This has happened in a situation of chronic under-funding of local authorities and lack of incentives to bring forward plans. The reforms to NPPF which were proposed in December 2022 were expected in 'spring 2023' but have not yet been published. This is left local authorities in greenbelt areas, or where there is political division over new housebuilding numbers stuck and unable to progress because they are waiting for clarity. It is vital that the move to a new system of plan-making recognises this reality and does not exacerbate it by creating an additional incentive to stall.
- The Government needs to assess and addresses the costs of Local Plans. Currently, it averages between £6 million to £7 million to produce a Local Plan, and these costs are escalating due to skill and capacity shortages in the professional and specialist fields contributing to the Local Plan. In the current financial climate, producing a Local Plan can become seen as a luxury. Removing the requirement for Local Planning Authorities (LPAs) to pay the Planning Inspectorate's costs in reviewing local plans (and increasing the Inspectorate's resources to match) would create better incentives to bring forward Local Plans as well as helping alleviate pressure on local authority finances.

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We have provided more comment on this too here: [Local plan simplification consultation response from The Housing Forum](#).

**2. We note in Section 4 above that land supply constraints, such as urbanisation or greenbelt land, affect the availability of sites for local plans. These constraints would not be directly changed by financial incentivisation. How could land supply constraints be managed in an effective way?**

Large-scale and overarching land constraints that prevent housing being built across a large proportion of a local authority area should be considered at the point at which national targets are turned into local targets. If an area is unable to build new housing because of overarching lack of land (such as an urban area with little potential for brownfield sites) then contribution of these areas towards meeting the national target may be limited, and this should be reflected in setting the targets for these areas.

Greenbelt is a policy decision and the government could undertake a strategic review of greenbelt nationally or could alternatively allow local authorities to decide whether to review their greenbelt locally. A national approach is appropriate for large greenbelts that cut across many authorities or regions (such as the London greenbelt), whilst a locally-led approach would be an option for smaller greenbelts (such as the Cambridge one which runs across only two authorities who already have a strong tradition of joint working). Other constraints on building can be determined and addressed locally via Local Plans.

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### Question 5.3

- 1. What is the most appropriate method for implementing a reformed, rule-based system that is designed rigorously and resilient to future changes in planning policy -and which minimises disputes about the lawfulness of developments?**

The planning application process serves a large number of functions currently and we do not think these can simply be removed. We would, however, advocate for decisions on smaller and medium sized applications that are in line with local plans to be determined at officer level with planning committees instead focusing on those that fall outside of a local plan.

The appeals process is too slow and accelerating this particularly for appeals applications on allocated sites, or reserved matters would help ensure that matters that ought to be dealt with swiftly are done so.

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### Statutory consultees

We appreciate the focus on the role of statutory consultees but note that there is no question specifically asked about the proposals to require LPAs to ignore responses outside of the 21 day deadline. We think that it may be helpful to distinguish between two types of statutory consultee:

- Those who must respond to planning consultations – such as the lead local flood authority. It would not be acceptable to grant planning permission without any input from such essential consultees, so other methods to encourage them to respond within deadlines must be found.
- Those who must be given the opportunity to respond to consultations, but for whom the 21 day is fixed and where the LPA has no obligation to consider any late response, such as parish councils.

### Question 5.4

- 1. To what extent would increased planning fees materially affect the viability of certain developments? Are there particular circumstances where this is likely to occur?**

Our members report that the planning fees themselves are a relatively small proportion of the costs of preparing a planning application and not usually a significant determinate of viability. There are, however, some exceptions for small sites being developed by new organisations without access to funding (such as Community Land Trusts). See [Planning fees consultation response from The Housing Forum](#) for further details.

In general, the costs associated with preparing all the evidence required for validation are much higher, and we are calling for a review of how much of this really needs to occur prior to validation, as opposed to later on when more details are known and the

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likelihood of going ahead is greater. See our response [Planning fees consultation response from The Housing Forum](#) for further details.

## 2. How could the availability of qualified planners be improved?

We addressed this fully in our recent publication [Streamlining planning to build more homes](#). Key points include:

### *Retention*

- Planners' salaries and reward package need to better match those in the private sector.
- Planning officers need empowering to make decisions. Allocating a dedicated case officer to each application helps with job satisfaction.
- A career in planning needs to offer progression opportunities.
- The government should avoid imposing too many changes on local authorities as disruption and restructuring are key factors that cause staff to leave.
- A government scheme to encourage former (retired) senior planners to support local planning authorities dealing with householder applications could help - leaving 'career planners' to focus on more complex applications. Older planners might also be able to mentor and support newer planners.

### *Recruitment*

- The government should continue work with the RTPI to develop routes into planning for applicants from non-traditional backgrounds, including apprenticeships.
- Internships or a 'year in industry' option within degrees can help attract the best graduates to a career that is right for them.
- New planners should be exposed to a range of disciplines to ensure they are aware of the work of other parts of the local authority. Secondments between the private and public sectors and the Planning Inspectorate for staff at all levels would also help.

## Question 5.5

### 1. What measure would be most effective in supporting SMEs to navigate the planning process effectively?

All measures that speed up the planning process, reduce risk and reduce costs would benefit all planning applications, but especially SMEs who are disproportionately affected. We have also advocated for a reduction in the requirements placed on smaller major applications via a three tiered structure or higher threshold for a major application in our report on [Planning validation requirements](#).

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