

## **Consultation Response: Changes to the current planning system – Consultation on changes to planning policy and regulations**

29 September 2020

*Paul Holmes MP, Member of Parliament for Eastleigh*

### **Introduction**

I submit this response to the current Government consultation '*Changes to the current planning system*'. This consultation is focused on a number of suggested reforms to the planning system and current planning policy including:

- Changes to the standard method for assessing local housing need;
- Securing of First Homes through developer contributions;
- Temporarily lifting the small sites threshold; and
- Extending the current Permission in Principle to major development.

These themes were referenced in the Government's white paper '*Planning for the Future*' which I will also comment upon in general terms before focusing my remarks on the principle topics of the consultation.

I broadly welcome the intention of the Government's white paper which is focused on delivering and ensuring a more efficient planning system that supports growth and will provide the opportunities for people to get on the property ladder and reverse the decline in home ownership rates. I also welcome the focus on ensuring each Local Planning Authority (LPA) has a proper Local Plan in place which has been missing from my own constituency for a decade as a result of repeated failings by Liberal Democrat controlled Eastleigh Borough Council. The absence of a plan has removed protection for communities within my constituency, has limited the ability to plan and provide appropriate infrastructure and led to a situation of significant overdevelopment.

Linked to the absence of a Local Plan, the introduction of zoning has the potential to organise development locally in a much more robust way and the ability to introduce protected areas that will help preserve the character of communities. The new suggestion to abolish S106 Contributions and CIL and combine them with a new single levy, would also ensure developer contributions are transparent, easy to understand and can more easily be retained in the locality with the development. This will ensure that benefits and finance associated with development are more localised in the communities that grant permission.

My concerns regarding the topic of this consultation are as follows:

### **1) Reforms to the standard method do not align with Government policy objectives**

The suggested amends to the standard method for assessing local housing do not align with the Government's stated policy objectives of levelling up. The Prime Minister on the steps of Downing Street spoke about levelling up, reducing the disparities that exist between the North and South and the more affluent areas of the UK and the less affluent. He said that:

*"we level up across Britain with higher wages, and a higher living wage, and higher productivity. We close the opportunity gap giving millions of young people the chance to own*

*their own homes and giving business the confidence to invest across the UK because it is time we unleashed the productive power not just of London and the South East but of every corner of England, Scotland, Wales and Northern Ireland*<sup>1</sup>.

However, the impact of the proposed changes to the standard method would contradict this commitment by reducing housing allocations in the north, particularly in urban cities, while increasing the allocation in London and the South.<sup>2</sup> The following figures illustrate that the new formula takes in the historic imbalance in regional growth that exists when contrasted with average recent delivery of the last three years<sup>3</sup>:

- London would be required to deliver a 161 per cent increase
- The South East would be required to deliver a 57 per cent increase
- The East of England would be required to deliver a 52 per cent increase.

By contrast, reductions in delivery are the order of the day for the North East, North West and Yorkshire and the Humber. This is at odds with the promised growth, investment and jobs that Ministers want to see go into these areas<sup>4</sup>:

- The North East is expected to reduce delivery by 27 per cent
- The North West is expected to reduce delivery by 8 per cent
- Yorkshire & The Humber is expected to reduce delivery by 6 per cent.

## **2) The new Standard Method levels down cities and creates disparities in rural areas**

As well as creating strange regional imbalances, the new Standard Method would also create strange imbalances between urban areas and sub-urban or rural areas. With the exception of London, the majority of cities are expected to see delivery fall based on their three-year average, while sub-urban and rural areas pick up the slack. This is not a sensible recipe for increasing the number of new homes being delivered overall as the infrastructure in less dense areas is not able to cope with large increases in demand. By contrast, cities act as a hub for employment and already have the required infrastructure in place to support growing populations.

The new Standard Method creates strange outcomes by reducing delivery overall in the North East, North West and Yorkshire and at the same time, there are major falls in delivery expected for cities like Manchester (37 per cent), Liverpool (26 per cent), Sheffield (19 per cent) and Leeds (14 per cent). Stranger still, are the outcomes in those regional areas which are forecast to increase delivery but also have major cities within them<sup>5</sup>.

- In my own region of Hampshire, the major ports of Southampton and Portsmouth fall by 17 per cent and 15 per cent respectively but the County as a whole would be required to support an increase of 39 per cent<sup>6</sup>.
- The Eastleigh LPA built over 2.6 as many homes in the last three years as the City of Portsmouth. Yet despite this delivery, Portsmouth's delivery target has fallen by 15 per cent and Eastleigh's increases by 27 per cent.<sup>7</sup>

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<sup>1</sup> Boris Johnson, *First speech as Prime Minister*, 24 July 2019, [link](#)

<sup>2</sup> Lichfields, *Setting a higher standard – a new method for assessing housing needs*, 7 August 2020, [link](#)

<sup>3</sup> *Ibid*

<sup>4</sup> *Ibid*

<sup>5</sup> ConservativeHome, Neil O'Brien: *The next algorithm disaster*, 24 August 2020, [link](#)

<sup>6</sup> Lichfields, *Setting a higher standard – a new method for assessing housing needs*, 7 August 2020, [link](#)

<sup>7</sup> *Ibid*

### 3) Inconsistent treatment between statistical and geographic neighbours

The new standard method would also treat statistical and geographic neighbours inequitably as the following example highlights. Eastleigh Borough Council and Fareham Borough Council are geographical neighbours and sit next to each other in Southern Hampshire. Both authorities are also identified by MHCLG as statistical neighbours and therefore serve as a useful basis for comparison given the similarities across a variety of socio-economic factors.

	<b>Average Delivery (last three years)</b>	<b>Current Standard Method</b>	<b>New Standard Method</b>	<b>% +/- on under new standard method</b>
<b>Eastleigh</b>	857	694	403	+27 per cent
<b>Fareham</b>	310	514	885	-14 per cent

As the table above demonstrates, two local authorities who are both geographic and statistical neighbours are treated very differently under the algorithm. Furthermore, the new standard method would seek to increase housing targets on local authorities that have delivered more housing overall and delivered more housing in excess of their current assessed need while reducing the target on an authority that has not had its assessed need and has built significantly fewer homes.

### 4) Inconsistent outcomes from proposed affordability adjustment

In anticipation of the argument from defenders of the new standard method, people may point to the inclusion of the new 'affordability adjustment' which according to the consultation:

*“will increase the overall emphasis on affordability in the formula and ensure that the revised standard method is more responsive to changing local circumstances, so that homes are planned for where they are least affordable. For example, where affordability improves, this will be reflected by lower need for housing being identified<sup>8</sup>.”*

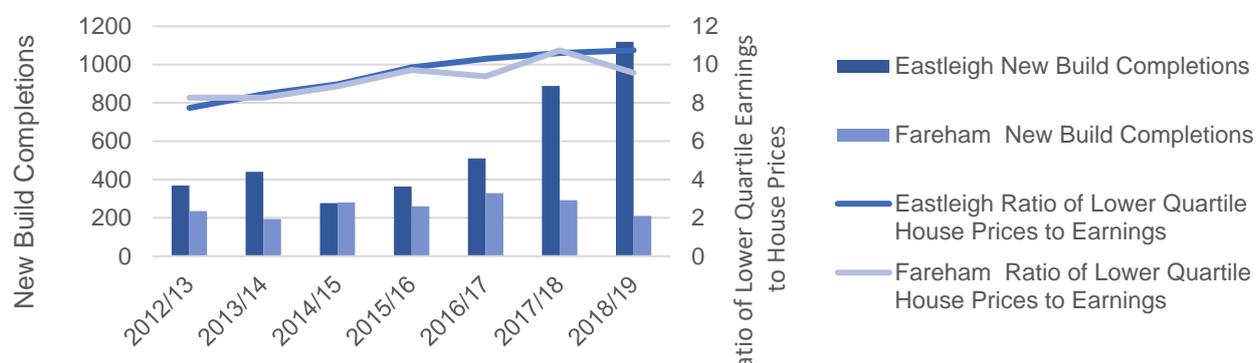
There are a number of broader criticisms to the inclusion of an affordability adjustment which in short, hopes that by increasing housing targets, more homes will be delivered, and this may lead to an improvement in overall affordability through lower house prices<sup>9</sup>. However, while supply does have an effect on price, that is only one side of the affordability issue. Actual affordability is determined by a variety of other factors outside of just housing supply which includes wages, deposit levels and lending criteria to name but a few. It is also intrinsically linked to the rate which new housing is built which I shall come on to in Point 5.

However, the experience that in Eastleigh and Fareham highlights is that a focus on building does not directly translate to housing becoming more affordable. Using the ONS, adjustment produces skewed outcomes on the ground as the experience between Eastleigh and Fareham demonstrates once again. ONS data provides the lower quartile house price for each local authority and using this, we can see that the lower quartile affordability ratio has worsened in Eastleigh despite more than two and half times more homes being built over the last seven years.

<sup>8</sup> MHCLG Consultation, *Changes to the current planning system*, August 2020, [link](#)

<sup>9</sup> Financial Times, *England planning shake-up provides few affordable housing guarantees*, 3 September 2020, [link](#)

**Chart comparing impact of housebuilding to affordability ratios**



The data for the chart above is set below<sup>10 11</sup>. Therefore, on the evidence provided in this example, it is clear that simply building more homes in a certain area will not improve overall affordability.

Year	Eastleigh		Fareham	
	New Build Completions	Ratio of Lower Quartile House Prices to Earnings	New Build Completions	Ratio of Lower Quartile House Prices to Earnings
2012/13	369	7.74	235	8.27
2013/14	441	8.45	193	8.27
2014/15	277	8.97	281	8.87
2015/16	363	9.85	260	9.72
2016/17	510	10.3	329	9.38
2017/18	888	10.6	292	10.74
2018/19	1118	10.75	210	9.57
<b>Total</b>	<b>3966</b>		<b>1800</b>	

### 5) Disconnect between targets, planning permissions and delivery

A major assumption underpinning the new Standard Method is a belief that centralised targets will lead to more permissions for schemes coming forward and better delivery. I believe this assumption is incorrect and inaccurate based on the Government's own findings and data. There are a variety of structural issues within the housing system that create this disconnect and I believe there are more sophisticated ways of addressing these challenges than inflating housing targets in the South of England.

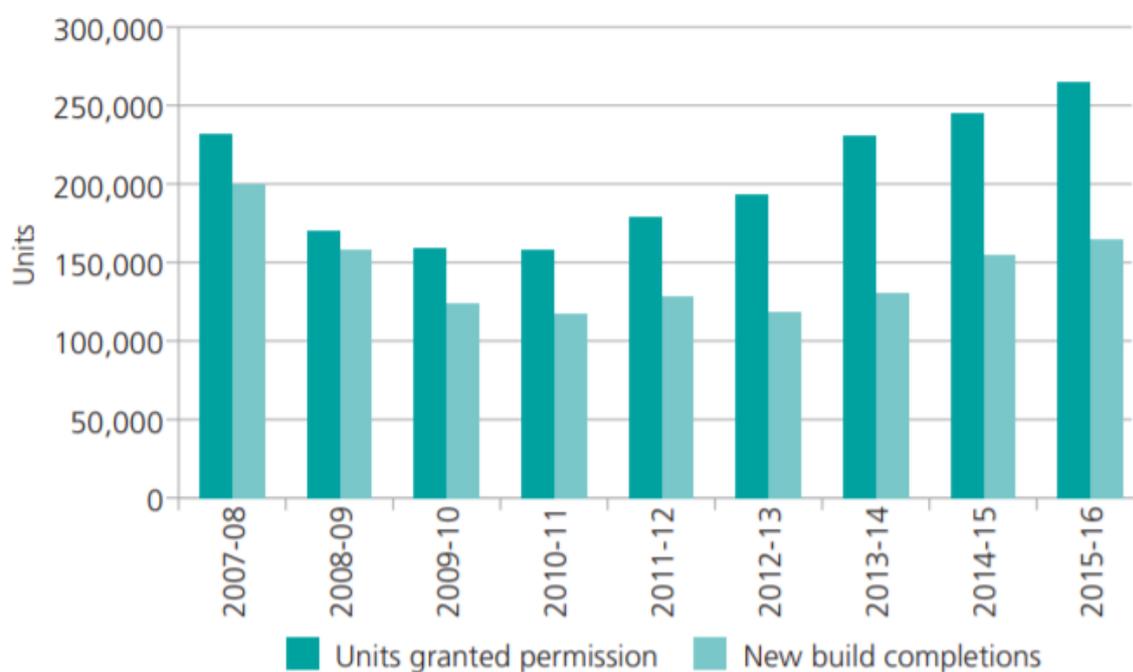
As the Government's previous Housing White Paper, *Fixing our Broken Housing Market* correctly identified, there is a major lag between planning permissions and housing delivery with over a third of the new homes that were granted planning permission between 2010/11 and 2015/16 yet to be

<sup>10</sup> Analysis of MHCLG Live Table 123, Components of New Supply, 14 November 2019, [link](#)

<sup>11</sup> Analysis of ONS House Price Residence-Based Earnings Ratio, 19 March 2020, [link](#)

built<sup>12</sup>. This chart, taken from the Government's White Paper, sets out in stark terms the difference between planning permissions and delivery<sup>13</sup>.

Figure 4: Annual completions versus permissions



Source: Glenigan planning permissions data; DCLG Live Table 120

The latest figures show that this trend has continued with 894,000 residential units with planning permission yet to be built and 48 per cent those houses yet to even begin construction<sup>14</sup>.

## Conclusion

In light of the arguments set out relating to the new formula for assessing housing need, regarding the peculiar results that the formula is proposing and the inequitable treatment that different parts of the country are receiving, I have no choice but to oppose this new algorithm for assessing housing need. However, I do remain supportive of the Government's *Planning for the Future* White Paper in principle and believe that with refinement and amends to the new Standard Method, we can achieve our shared objectives for creating a more efficient planning system and providing more affordable housing with the support of local communities.

<sup>12</sup> MHCLG, *Fixing our Broken Housing Market*, February 2017, [link](#)

<sup>13</sup> MHCLG, *Fixing our Broken Housing Market*, Figure 4, February 2017, [link](#)

<sup>14</sup> Hansard, PQ 59369, 23 June 2020, [link](#)