



NATIONAL ORGANISATION OF RESIDENTS ASSOCIATIONS

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A RESPONSE TO THE MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT CONSULTATION - CHANGES TO THE CURRENT PLANNING SYSTEM

Introduction

The National Organisation of Residents Associations is a body whose members represent some 2.5 million residents in England and Wales. In responding to this Consultation, we would make the point that it is directed more towards developers and builders and Local Authorities and their planning departments and does not take into account the views and concerns of residents who live and work in their communities.

N.O.R.A. members are mindful of the current necessity to provide more dwellings for the community and the necessity to simplify the planning system.

Notwithstanding, they are of the opinion that a change in the planning legislation will have little or no impact on the number of newbuilds that are constructed by the private sector.

The Office of National Statistics data on new builds records that 1977 was the last time just over 300,000 new-builds were built in a year and 143,000 of them were built by Local Authorities for rent. A substantial drop occurred in 1981 when Local Authorities ceased building houses for rent, and ever since the private sector has built an average of 160,000 new builds each year until 2008 when the financial disaster led to a slump with only 105,000 built in 2010. Since then, there has been a steady rise in numbers, reaching 179,000 in 2019. These changes clearly bear no relation to the several dramatic upheavals in the planning regime in the last decade, that were ostensibly designed to increase the new builds, but clearly the number of private sector new builds reflect the economic situation. N.O.R.A. contends that the current economic crisis and the expected rise in unemployment will have more effect on the number of new builds in the future than any possible changes to the planning system.

The current proposals appear to be designed to provide more land for building even though, it is claimed, developers already have enough land with planning consent for a million new builds. To increase the land available will certainly provide developers with more choice, so that they can decide where they are easier to build and easier to sell, but it does not follow that there will be an increased incentive to build more new builds because more planning consents are, and will be, granted. The "broken housing market" is primarily due to the shortage of affordable rented accommodation, and ~~it will~~ this will undoubtedly

continue and will even get worse until Local Authorities are encouraged and permitted to build their share.

N.O.R.A. would emphasise that planners do not build houses. Their rôle is to determine where these are best built and ensure they are built to a satisfactory standard. It is illogical to blame the planning system for the failure to build dwellings.

This assessment of the housing problem determines NORA's responses to the questions.

Housing numbers

The extra-ordinary arithmetic used for the calculation of the need and demand for dwellings is entirely visionary. It involves predictions by the Office of National Statistics of household numbers based on 2018 data and a curious bias in relating it to affordability ratios and the number of existing dwellings in an area. The whole calculation is designed to produce the land for a total of 330,000 annual new builds for England in contrast to the 187,000 calculated by the 91% of Local Authorities that have produced Local Plans. Whilst Planners may propose, it is the developers that decide.

Q1: Do you agree that planning practice guidance should be amended to specify that the appropriate baseline for the standard method is *whichever is the higher* of the level of 0.5% of housing stock in each local authority area OR the latest household projections averaged over a 10-year period?

No

The only advantage of using housing stock as a baseline is that it is more likely to be correct than the Office of National Statistic's household projections. The structure of households changes all the time, and numbers can rise or fall for economic or social reasons. In providing predictions usually statistics offer a mean value with standard deviations to account for variables, but this does not appear to be included in ONS calculations.

The latest household projections averaged over a 10-year period should be used. Using 0.5% of housing stock does not convey anything about need.

*All it does is reflect what **has** happened – a percentage of how many houses already exist. Authorities may have more existing dwellings currently than the 10-year household projections require – so a 0.5% baseline figure would result in the building of many more houses than are needed. Conversely, an Authority with a far lower housing stock than indicated by the household projection is not helped by a blanket 0.5% increase on an already low inadequate figure.*

This begs the questions; why are unbuilt permissions left out of this proposed algorithm?

Using 0.5% of the housing stock runs contrary to the Government's own assertions (paras. 21 and 24 of the paper) that household projections are "still the most robust estimates of future growth trends" and "continue to remain the best way of projecting forward likely trends in household formation".

Q2: In the stock element of the baseline, do you agree that 0.5% of existing stock for the standard method is appropriate? If not, please explain why.

See Q1 above.

Q3: Do you agree that using the workplace-based median house price to median earnings ratio from the most recent year for which data is available to adjust the standard method's baseline is appropriate? If not, please explain why.

No.

It is illogical to relate the affordability ratio to the number of required dwellings. N.O.R.A. has been unable to establish that there is any evidence to support the view that affordability ratios would fall were more dwellings built. To expect house prices to fall if more were built is also unproven. History tells us that house prices only fall when the economy starts to fail.

The formula would oblige Local Authorities to increase proposed dwelling numbers where affordability ratios are high in the futile hope that more dwellings will bring the price down and so reduce the affordability ratio. N.O.R.A. would maintain that this assertion is not evidence-based. If introduced it will burden Local Authorities with housing figures that are clearly unattainable.

When the affordability adjustment is proposed to be such a major (and uncapped) element of the algorithm, it is important that the elements of the equation are soundly based. Using the workplace based median house price to median earnings ratio is wrong for 2 reasons: -

*1. There is a comparison between two unmatched measures. The median house price covers the range of **all** housing, from bedsits to mansions. However, the median earnings measure only takes into account the earnings of those people in a "work place", which is by no means even if this is all of the working population, many of whom work from home or are mobile.*

Furthermore, it completely ignores the income of the older population, which, especially in affluent areas, is often considerably above the median income. If this older segment of the population were a small element, it would not skew the ratio result significantly. However, nationally the over 65s form 18% of the population.

Taking a "workplace" earnings figure and comparing it to a house price assumes that everyone who works in a borough actually lives

there. This may be a fair assumption for certain parts of the country, but certainly is not the case for anywhere within a 50-mile radius of London. A large proportion of the population commutes to London and thereby benefits from the higher level of earnings – these higher earnings figures would not be reflected in the local earnings/house price ratio, thus exaggerating unaffordability in the suburbs and southern counties.

*2. When applying for a mortgage, the **total** household income is taken into account. Applying just an earnings figure as part of the affordability ratio implies that that this is planning for a future where each house is only occupied by one person. Clearly that is a nonsense.*

Realistic data has to be used. Median household income would give a far more complete evidence base than individual earnings. If the mortgage industry uses “household Income” as a barometer of affordability, why, the question is posed, would the Government choose a different measure?

In terms of income and house prices, the most recent data should always be used to ensure that policies are evidence based. For that same reason, starting at a Government “aspiration” (your paragraph 6) of 370,000 and then working backwards.

An algorithm is only as reliable as the datasets entered. As has been seen with the school examination results in 2020, an algorithm is a blunt tool, with no means of adapting to the unexpected, the special or a change in trends. If the gross data and generalised assumptions are not accurate, the outcome will inevitably be flawed.

As the government has placed great emphasis on the affordability gap but has not based its calculations on accurate figures, its conclusions are inevitably unsound.

Q4: Do you agree that incorporating an adjustment for the change of affordability over 10 years is a positive way to look at whether affordability has improved? If not, please explain why.

N.O.R.A. is of the opinion that there is no justification for this. It refers to its answer to Q3 above.

Q5: Do you agree that affordability is given an appropriate weighting within the standard method? If not, please explain why.

N.O.R.A. would refer to the answer given to Question 4.

Q6: Authorities which are already at the second stage of the strategic plan consultation process (Regulation 19), which should be given 6 months to submit their plan to the Planning Inspectorate for examination?

N.O.R.A. would refer to the answer given to Question 4.

Furthermore, it is understandable that it is the Government's desire to put its new measures into place as soon as possible but this is a very tight schedule. There has to be some appeal process for Local Planning Authorities, which are struggling with resources or environmental constraints.

Q7: Authorities close to publishing their second stage consultation (Regulation 19), which should be given 3 months from the publication date of the revised guidance to publish their Regulation 19 plan, and a further 6 months to submit their plan to the Planning Inspectorate?

N.O.R.A. would refer to the answers given to Questions 4 and 6.

First Time Homes

The arithmetic for First Home Buyers is puzzling. Who's paying the discount? Is it the Local Authority, the banks, the developer or on a mixed estate is it those not receiving a discount but pay a premium tax instead? If imposed on the developer, the discount will only be passed onto those paying the full price, which is blatantly unfair.

Households under 40 years old are mostly renters, and the ONS graphs relating home ownership with age shows that hardly anyone under 30 is an owner-occupier. There are nearly 4 million households sharing dwellings because they can't afford to buy or rent from the private sector, and the number of First-Time buyers is in the 10,000s, a trivial number in relation to the housing need and demand.

If developers are obliged to set aside 25% or more of a development for First Homes, a serious problem would arise should the demand for First Homes collapse. If the economy recovery from the current crisis is slow, then there may not be enough people with sufficient income to become First Home buyers. Developers would be very sensitive to this eventuality.

If social discounting is to be imposed, the cost should be borne by the general taxpayer, since the provision of affordable housing for the significant number of the community needing support is to the benefit of the whole community.

Q8: The Government is proposing policy compliant planning applications will deliver a minimum of 25% of onsite affordable housing as First Homes, and a minimum of 25% of offsite contributions towards First Homes where appropriate. Which do you think is the most appropriate option for the remaining 75% of affordable housing secured through developer contributions? Please provide reasons and / or evidence for your views (if possible):

- i) Prioritising the replacement of affordable home ownership tenures, and delivering rental tenures in the ratio set out in the local plan policy.**
- ii) Negotiation between a local authority and developer.**
- iii) Other (please specify)**

To expect developers to take on more affordable homes makes sense only if the discount in whatever form it takes falls on Central Government. Economically, it is impractical to assume that a developer would be able to afford to subsidise the sale of new build dwellings. Such a financial burden placed on developers would, inevitably mean an increase in purchase being passed on to the buyers. It is unfair that those on a development paying the full price should have to pay the subsidy. Local Authorities do not have the funds to support discounted owner-occupier dwellings.

Developers are not in the business of building dwellings for rent because they need the capital from sales to stay in business. Building houses for Local Authorities to buy and let and administer is a different matter. Local Authorities let dwellings not for profit, and those for social rent may either be subsidised with Housing Benefit and funds from Council Tax.

Any initiatives aimed at increasing the delivery of affordable homes is to be applauded, including the First Homes initiative. However, where land values are high, developers frequently seek to change the terms of a planning permission, claiming that it is not viable for them to provide affordable homes at all. The demands of the First Homes initiative will create extra work on behalf of Local Planning Authorities.

Developers should deliver all affordable homes onsite, unless there are truly exceptional circumstances. Where land is scarce, the certainty of alternative provision cannot be guaranteed and the exact process of maintaining the delivery of First Homes off-site is not clear in the consultation.

The tenure of the remaining 75% of affordable homes, not designated as First Homes, should be discussed and agreed by the Local Planning Authority and the developer on a site by site basis, according to local need and policy.

Q9: Should the existing exemptions from the requirement for affordable home ownership products (e.g. for build to rent) also apply to apply to this First Homes requirement?

Affordable home ownership is surely not 'for build to rent'. Exemptions do not make sense. If mixed developments are to succeed, then it must follow that all developments should have a proportion of affordable dwellings for sale and dwellings for rent both in the private sector with a private landlord and in the public sector with a significant proportion for subsidised rents. This surely is the way forward for properly mixed societies. Undoubtedly, estates of less than ten dwellings are unlikely to meet this ideal.

Q10: Are any existing exemptions not required? If not, please set out which exemptions and why.

The only sensible exemption would be small estates of ten or less dwellings. There is, however, a caveat that developers may attempt to split large developments into smaller ones, but appropriate legal covenants should prevent this.

Q11: Are any other exemptions needed? If so, please provide reasons and /or evidence for your views.

N.O.R.A. does not feel the need for other exemptions.

Q12: Do you agree with the proposed approach to transitional arrangements set out above?

No comment.

Q13: Do you agree with the proposed approach to different levels of discount?

Discounted dwellings should remain as discounted dwellings and so provide a long-term facility for those dependent on subsidised housing.

Q14: Do you agree with the approach of allowing a small proportion of market housing on First Homes exception sites, in order to ensure site viability?

N.O.R.A. members view the use of Exceptions sites as a breach of the principles of the Localism Act. The tremendous effort put into Local and Neighbourhood Plans must not be undermined by the principle of 'Exception Sites' for whatever reason.

N.O.R.A. would cite the introduction to the Localism Act:

"For too long central government has hoarded and concentrated power. Trying to improve people's lives by imposing decisions and setting targets simply doesn't work".

"The measures (in the Localism Act) include reform to make the planning system more democratic and more effective and reform to ensure that decisions about houses are taken locally".

With that assurance, thousands of groups up and down the country embarked on the costly and lengthy process of producing a robust neighbourhood plan, safe in the knowledge that it would be respected for the length of its life".

Q15: Do you agree with the removal of the site size threshold set out in the National Planning Policy Framework?

No.

Q16: Do you agree that the First Homes exception sites policy should not apply in designated rural areas?

Yes. It should not apply anywhere.

Small Sites

Q17: Do you agree with the proposed approach to raise the small sites threshold for a time-limited period?

No. It is quite unfair to reduce the affordable proportion except for small sites, otherwise it would be seen to be offering preferential treatment to some developers.

Q18: What is the appropriate level of small sites threshold?

- i) **Up to 40 homes**
- ii) **Up to 50 homes**
- iii) **Other (please specify)**

A pragmatic number would be 10 homes.

Q19: Do you agree with the proposed approach to the site size threshold?

No.

Q20: Do you agree with linking the time-limited period to economic recovery and raising the threshold for an initial period of 18 months?

No.

Q21: Do you agree with the proposed approach to minimising threshold effects?

No.

Q22: Do you agree with the Government's proposed approach to setting thresholds in rural areas?

Yes.

Q23: Are there any other ways in which the Government can support SME builders to deliver new homes during the economic recovery period?

No.

The Government needs to consider taking some affordable housing out of the traditional housing market, if it seriously wants to deliver more affordable homes and help smaller building companies. The Government should free up some government-owned land and enable the delivery of quality homes for rent, where families need them, close to services. These could be delivered by smaller companies, who cannot compete in the current speculative trading of building land in certain areas.

Permission in Principle

Q24: Do you agree that the new Permission in Principle should remove the restriction on major development?

Yes

N.O.R.A. understands that historically Permission in Principle was introduced for smaller developments which has had a very low adoption. By proposing to remove the restriction in the current Permission in Principle regulations on major development, this will allow a Permission in Principle application to be

submitted for a wider range of sites and in turn increase the speed at which housing development can occur. As some restrictions will remain (such as those relating to Environmental Impact Assessments and Habitats). However, it states that Permission in Principle will not be suitable for sites capable of delivering over 150 dwellings or more than 5 hectares. There is evidence that this has already been the case for many sites, in that developers will apply for any site below the 150 which gives more “wriggle room”. Some developers have professed that a Permission in Principle on application only applies to brownfield land and/or land on a Brownfield Land Register (BLR): but this is not the case.

Another concern, as a result of extending the scope of Permission in Principle to major developments the Government is considering amending the scope of information required and the publicity requirements placed upon the local planning authority. For local residents, lack of public notification of any new development has been, up to the present, imprecise at the best of times and this will only serve to make the situation make it worse.

N.O.R.A. perceives that the relevant information for the Local Planning Authority will be location, land use and the amount of development. Additionally, it appears that the Government is considering adding a height parameter in terms of the number of storeys. For some areas this may be a possibility, for others, traumatic in their locality!

Such plans may provide greater clarity to the applicant and Local Planning Authority about the scale of housing development that is acceptable for the site, although it is conceivable that it might add to problems arising in the determination of the application. In addition, it would start to bring design issues into the Permission in Principle process as well as result in a need to identify zones within a site with differing height parameters, perhaps diluting the original aims and objectives of the Permission in Principle process itself. Locally, residents only have a Design Statement to factor in any idea of good design on new applications. Such changes will again mean the democratic process will be diminished greatly by the reduction of local involvement. N.O.R.A. anticipates that there will be many issues that will only benefit the developer and undermine localism. Changing a system under the heading of fixing a “broken planning system” is seen as a thin excuse to undermine any Local and Neighbourhood Plans, just to speed up the process. All this in the guise of building more houses, which, it must be emphasised, Councils do not build, but simply provide the permissions. It is felt that this is a viewpoint that is not taken by Government.

Q25: Should the new Permission in Principle for major development set any limit on the amount of commercial development (providing housing still occupies the majority of the floorspace of the overall scheme)? Please provide any comments in support of your views.

No comment.

Q26: Do you agree with our proposal that information requirements for Permission in Principle by application for major development should broadly remain unchanged? If you disagree, what changes would you suggest and why?

Yes.

Q27: Should there be an additional height parameter for Permission in Principle? Please provide comments in support of your views.

Yes. The height of any buildings above three storeys should be listed, so that high buildings can be accepted or refused appropriately.

Q28: Do you agree that publicity arrangements for Permission in Principle by application should be extended for large developments? If so, should local planning authorities be:

- i) required to publish a notice in a local newspaper?
 - ii) subject to a general requirement to publicise the application or
 - iii) both?
 - iv) disagree
- If you disagree, please state your reasons.

Item (iii) is supported. It is more likely to ensure the community is fully aware of proposals. It is crucial that residents should be able to make their views known to Local Planning Authorities.

Q29: Do you agree with our proposal for a banded fee structure based on a flat fee per hectare, with a maximum fee cap?

No comment

Q30: What level of flat fee do you consider appropriate, and why?

No comment

Q31: Do you agree that any brownfield site that is granted Permission in Principle through the application process should be included in Part 2 of the Brownfield Land Register? If you disagree, please state why.

Yes

Q32: What guidance would help support applicants and local planning authorities to make decisions about Permission in Principle? Where possible, please set out any areas of guidance you consider are currently lacking and would assist stakeholders.

There is already a Guidance Permission in principle, published 28 July 2017 and last updated 15 March 2019 and it is felt that this is, at the present time, sufficient for purpose.

Q33: What costs and benefits do you envisage the proposed scheme would cause? Where you have identified drawbacks, how might these be overcome?

N.O.R.A. would refer to the answer to Q32 given above.

Q34: To what extent do you consider landowners and developers are likely to use the proposed measure? Please provide evidence where possible.

N.O.R.A. would refer to the answer to Q32 given above.

Q35: In light of the proposals set out in this consultation, are there any direct or indirect impacts in terms of eliminating unlawful discrimination, advancing equality of opportunity and fostering good relations on people who share characteristics protected under the Public Sector Equality Duty?

It is understood that the Public Sector Equality Duty is a duty on Public Authorities to consider or think about how their policies or decisions affect people who are protected under the Equality Act 2010. It is further understood that private organisations and individuals are not required to comply with the duty. N.O.R.A. is content that there is continuance of this duty as it stands.