

Public Accounts Committee

Planning and the broken housing market – Call for Evidence

About us

The Northern Housing Consortium (NHC) is a membership organisation based in the North of England. We are the ‘Voice of Housing in the North’ working with both local authorities and housing associations to advance the cause of housing. Our membership covers around 90% of all social housing providers in the North. The NHC brings its members together to share ideas, and to represent their interests and to ensure they are heard at a regional and national government level.

Q1 How MHCLG will achieve its ambition for 300,000 new homes a year from the mid-2020s

Planning for Need

- 1.1 The Government’s commitment to delivering 300,000 homes a year by the mid-2020s is welcome. However, we believe this cannot be achieved without additional investment in social housing and investment in housing renewal to increase the supply of desirable, available homes which are currently not fit for purpose without significant improvement. Indeed, analysis based on affordability and need suggests that the 300,000 target may not be sufficient. Table 1 presents requirements for the North of England and shows that the share of social rent required in overall new provision is 14 per cent. Annual average past trends in housing delivery indicate that housing need identified across the North is greater than average delivery.

Table 1. House building requirements by tenure 2016-2031 (England)

	Private	Shared Ownership	Intermediate Rent	Social	Total	Affordable %	Social %
North	28,810	5,580	6,694	6,894	47,977	40%	14%

Source: Heriot Watt University – Housing Requirements Across Great Britain 2018

- 1.2 The requirements for new homes in the North, and a shortfall with existing delivery raises concerns about the Government's formula for concentrating investment on areas of ‘high affordability pressure’, defined as areas where average private rents exceed average social rents by £50 or more a week. This is a blunt tool for directing funding that fails to take account of the scale of unmet housing need in the Northern regions. It risks leaving parts of the North without access to much needed investment to meet projected household need, or to contribute to renewing obsolete housing.

- 1.3 We believe the Government must set a separate target for delivering the requirements for affordable homes and homes for social rent and to use the forthcoming Spending Review to set out an investment plan which will enable the delivery of this target.

Standard Method for assessing the need for new homes

- 1.4 For some parts of the North, the Government's standard 'Objectively Assessed Need' methodology will create challenges with the alignment between housing need and economic growth and regeneration. Because the Government's formula relies on past demographic trends, it fails to take account of future prospects for economic growth, which will place additional pressure on Northern housing markets.
- 1.5 This national assessment of need could undermine the local ambitions and needs of councils and communities. In the North of England, the Government targets would require many areas to decrease their plans to meet local housing need. The Department's forecast assessment for new homes reduces the numbers of new homes needed in Northern regions in comparison to local authority plans by 24% in the North West; 23% in Yorkshire and the Humber; and 19% in the North East.
- 1.6 We believe this contradicts the Government's wider economic policies such as the Industrial Strategy and Northern Powerhouse which aim to rebalance the UK economy. Evidence from our member organisations clearly demonstrates the appetite and ambition of Northern local authorities to develop housing for growth.
- 1.7 Take one example, the North East Local Enterprise Partnership's Strategic Economic Plan (SEP) has set a target to help attract 100,000 'more and better jobs' by 2024/25. Within the NELEP area population projections to 2036 expect household growth of 114,000 households. In order to maximise this growth a strong housing offer will be needed, recognising market demands for growth in locations of choice. The NE ambitions are to return to pre-recession housing rates and deliver over 6,000 housing units a year. The proposed methodology forecasts lower projections in half of the local authority areas covered by the North East SEP. Where a local authority bases its housing requirement on the standard methodology, evidence suggests this could mean that housing and employment strategies are not sufficiently joined up and will be a hindrance to economic ambition.
- 1.8 The standardised assessment has some positives. In working out how many homes are needed it provides an opportunity to stimulate a step-change and move development plans forward with efficiency and transparency.
- 1.9 We would propose that further guidance is required on the parameters for achieving a supply of housing linked to projections for economic growth. A methodology is required to help local planning authorities to justify when they need to deviate from the standard, or there should be recognition of local methodology to support the uplift element, for example, guidance on 'compelling circumstances'. We would like to see greater emphasis and confirmation that the standard is a minimum figure, and this is not a cap on growth and that those areas which, through their own evidence-based assessments have calculated a higher figure are able to plan for that growth.

Identifying a local supply of land for new homes

1.10 Investment to bring land to the market is perhaps the single most important immediate measure that could be taken to accelerate the public sector delivery of new homes in the North. Nationally, Brownfield Registers show estimated housing capacity for just over one million homes across UK.

Table 3 – Estimated Housing Capacity on Brownfield Land

2010 data (NLP)	Household projections	Brownfield capacity
North East	115,025	44,407
Yorkshire & Humber	271,602	71,555
North West	263,168	166,211

1.11 Where market conditions are good and house prices are buoyant, land viability is likely without significant intervention, but in Northern markets there are financial constraints on bringing forward land. Roughly, it costs around £100 per square foot to build a new home on a simple development-ready site. A typical new home needs to sell for at least £200 per square foot once developer profit, payment for land and other costs including finance have been included. Using £200 per square foot as a price threshold suggests that around 40% of the potential homes on brownfield capacity are in areas where likely new build house prices may make development financially difficult if not impossible.

1.12 The cost and availability of land remains a significant barrier to building more affordable homes. We would propose land reforms could include reforming land compensation legislation to capture more of the uplift in land value generated by planning permission for the benefit of the community.

1.13 We know that half of the brownfield land on Registers already has planning permission so there must be other factors preventing development. [Sir Oliver Letwin’s review of build out rates](#) has identified the ‘absorption rate’ – the rate at which newly constructed homes can be sold into the local market without materially disturbing the market price. The absorption rate is different for affordable homes and social rented housing on large sites and is regarded as additional to the number of homes that can be sold to the open market in a given year on a given large site. The review confirmed that delivering a wider range of tenures on sites improves the rate at which new homes are built - another reason to justify increased public investment on social rented housing.

Support for Housing Associations and Local Authorities

1.14 Local authorities and housing associations have a vital role to play in providing affordable housing. Part of this is down to the innovative and progressive approach organisations have taken in recent years. A combination of planned new council house building following the removal of the HRA cap, (estimated to deliver around 10,000 additional homes a year) plus investment in quality of existing stock will, over time, create capacity to deliver as much as 20-30,000 affordable homes a year.

1.15 If we are to see a boom in house building, it must be based on collaboration between the public and private sectors, with housing associations and councils playing a pivotal role between them. But it also sets a challenge to councils to bring forward home-building plans. It cannot be emphasised enough that councils have lost dedicated housing functions and have fewer specialist staff within housing services. In the six years up to 2010/11 across all English local authorities’ austerity has necessitated a 52.8% reduction in spend on planning services. For many, skills and capacity shortages could be a principal barrier to growth in direct local authority delivery.

1.16 We believe that central to addressing the impact of austerity on local councils and to improving the quality of housing is joint working across Government departments. With MHCLG acting in a coordinating role, Departments need to collectively build a consensus about the value and significance of housing and its connection to the infrastructure and transport rather than each Department solely delivering their individual service responsibilities. This requires development of a national housing policy which is part of the wider infrastructure and economy. The extent to which this co-dependency is recognised should be part of the Spending Review delivered later this year.

Right homes in the right places

1.17 We feel that proposals supporting the supply of the right homes in the right places could have been given more recognition of the planning system as a significant driver of quality of life through its importance in place-making. For example, there is an under-supply of high-quality housing in the right locations that suits the needs of older people and this deficiency is projected to increase. In the North East, North West and Yorkshire and Humber the numbers of people aged 65 and over will increase by an average of 18% by 2024. In the North West for example, this equates to an over-65 aged population of over 2 million by 2024 with total specialist housing currently in the region of 4,359.¹

1.18 Our local authority member organisations have concerns that any process for identifying the housing need for individual groups would require separate, specific needs assessment. This has significant resource and capacity implications. Also, our members envisage the complexities of delivering infrastructure projects and working with developers on competing schemes cannot be simplified. Thus, the requirements increase significantly the responsibilities for local planning authorities, and the planning fee structure may not counter the decline in skilled planning officers on the ground to provide adequately resourced planning departments to deliver complex services at the pace required.

Looking Beyond New Build

1.19 The housing deficit isn't just in new supply; it is also to be seen in the quality and age of the existing housing stock. Most of the homes needed in the North are already built with new build making up a minority of housing stock.

Table 4: New construction rates

	Dwelling stock	New build 2011-18	New build as % stock
England	22,976,000	911,530	3.97%
North East	1,178,280	40,580	3.44%
North West	3,143,930	85,970	2.73%
Yorkshire and the Humber	2,319,920	72,080	3.11%

Source: MHCLG live tables 100 and 253

1.20 New homes are urgently needed across the North and there has been an understandable focus on finding ways to achieve this. However, new supply in the North accounts for less than 4% of the North's housing stock and so we cannot forget about the critical importance of maintaining, improving or adapting existing homes. Many of our member organisations are focussing on the

¹ Office for National Statistics

regeneration needs of their communities, and a return to place-making – which we highlighted through our Commission for Housing in the North and more recently through our work with the Smith Institute, examining the [hidden costs of poor quality housing in the North](#).

Employment and Skills

- 1.21 There are critical policy areas that pose threats to development and regeneration in Northern localities: one is the potential impact of the loss of regeneration funding from the European Union. We await consultation on the new Shared Prosperity Fund and will be commenting on how it can support the sector's priorities. The second critical area is the anticipated shortages in skills across the public and private sector. Local councils and housing providers create significant opportunities in training and apprenticeships, and we will be supporting our members to ensure this vital role can continue.

Q2 Local authorities' spending on planning and their processes for dealing with planning applications

- 2.1 The national increase in the planning fee to build capacity and capability is welcome and will help to meet the Government's target for building more homes but we feel that the capacity issues in local councils may still be undermined by the wider budget reductions.
- 2.2 Our members report that local authority planning departments have had significant reductions in capacity following a decade of UK-wide austerity. The concern of NHC members relates to capacity in delivery (use of CPO's or site assembly skills), in developing pipeline of supply where sites are stalled, in tackling poor conditions in the private rented sector and in developing new effective housing strategies.
- 2.3 This shortfall is further compounded by the extension of permitted development rights, which not only deprives local authorities of developer contributions, but force additional unfunded work for local planning authorities.
- 2.4 We would support the setting of planning fees including at least some degree of local determination delegated to local planning authorities to allow them to recover the full cost of processing planning applications. The Housing White Paper recognised the need to boost local authority capacity and capability to deliver planning cases and, while there is commitment from local authorities to take on greater responsibilities, additional resources are necessary for successful delivery.
- 2.5 NHC members also felt that consideration should be given to ensuring SME firms were not further disadvantaged by any future increase in planning fees. The inclusion of fee refunds would be one consideration or a further streamlining or fast-tracking of planning process for "approved" SME builders and designated small housing sites.
- 2.6 Recent planning policy changes also potentially punish local authorities who are not meeting targets. This includes penalties associated with failing the housing delivery test and limiting the additional 20% fee increase to local authorities who are already successfully meeting targets.

- 2.7 The policy assumption in focusing on high affordability areas is that other places do not require a robust planning service. The challenges of regeneration in parts of the North require skilled and properly resourced planning departments.

Q3 Long-term funding for infrastructure to support new homes

- 3.1 It is in Northern areas, where private sector investment has been weakest, that there has been far less public infrastructure investment. Regional inequality in public infrastructure investment could mean that it becomes more challenging to attract other investment in housing. Investment plans must be structured to meet the scale of investment needs in all parts of the country, not just in areas of highest affordability pressure.
- 3.2 There are areas of the North facing severe constraints with additional targeted investment needed to support major development programmes. The national focus on a certain definition of affordability prevents different housing markets from tackling unique challenges.
- 3.3 Across five funding streams, areas of the highest affordability pressure will receive a minimum of 80% of the total funding from these programmes on average over the next 5 years². Only six Northern local authority areas will be eligible to access the bulk of the funding as higher demand areas.
- 3.4 Northern projects account for 20% of successful bids to the Housing Infrastructure Fund (HIF). Success in the competitive bidding process involves demonstrating the highest financial return for the lowest investment. This has a bias towards areas where homes are sold at higher prices, not in Northern areas where the average price of a property is £140,000. There is a risk that while trying to be equitable, the competition becomes a blunt tool where in fact sophisticated regional modelling may be necessary.
- 3.5 The Estate Regeneration Fund³ - £400 million of loan funding to provide new homes in high-demand areas - relies on cross-subsidising homes for social and affordable rent with the proceeds from homes built for sale. If schemes are vulnerable to housing market downturns, this will lead to a decline in supply of social rented housing. The cumulative effect of investment policies including the estates regeneration initiative could be to reduce the social housing stock by 9% or 350,000 homes by 2020⁴.
- 3.6 The emphasis placed on rectifying a national housing crisis by changes to the planning regime should recognise other factors which are outside of the control of a local planning authority - the availability of skilled labour, the availability of capital, speed of utility companies, land remediation and problems with local transport infrastructure - are outside the control of local planning authorities.

² Housing Infrastructure Fund (forward fund limited to top tier authorities), Estates Regeneration Fund, Home Building Fund, Small Sites Fund, Land Assembly Fund

³ Estate Regeneration Fund 31 successful bids in the North amounted to 30% of total funding

⁴ CIH research

- 3.7 Finally, the NHC is supportive of an approach to planning which helps to facilitate new homes and great places. Our local authority members are delivering plans for growth, but local planning authorities need support to be able to be part of the solution. We welcome the opportunity for continued dialogue about ways to ensure both the quantity and quality of homes that we all acknowledge are needed.

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