

Planning for a better future

Our planning manifesto for the government



Manifesto Background Paper 13

Addressing the Housing Crisis

We need a coherent strategy directed at enabling the planning system to do what it can to tackle the housing crisis. We have set out a comprehensive series of measures that are designed to reform how we identify housing need so that communities are more likely to buy into the need to deliver additional housing, reforms to the spatial planning part of planning so that we are better placed to identify the sites that are needed, new measures designed to directly incentivise the delivery of housing and finally a wider series of measures to boost the supply side.

Planning Officers Society

POS is the single credible voice for public sector planners, pursuing good quality and effective planning practice. The Society's aim is to ensure that planning makes a major contribution to achieving sustainable development in ways that are fair and equitable and achieve the social, economic and environmental aspirations of the community.

We operate in three main ways:

- As a support network for planners in the public sector
- As promoters of best practise in planning
- As a think tank and lobbying organisation for excellence in planning practice

Where we can, we will work across the sector to craft proposals that have widespread support from the people who operate the planning system at the coalface: landowners, developers, agents, legal, local authorities and politicians. We will be both radical and practical as we look for solutions to tangible problems that will make a real difference to crucial areas. Our objective is to improve the planning system to enable it to deliver its key aim of sustainable development. It is within this context that we have set out this advice to Government so we can plan together for a better future.

POS Manifesto

This started in early 2014 when we looked ahead to the national parliamentary elections in May 2015. The main parties were drafting their manifestos, so we thought about what we could do to help them. This resulted in Planning for a better future: Our planning manifesto for the next government. The time since then has seen an unprecedented amount of change to the planning system, so our initial planning manifesto for the next government has morphed into an on-going planning manifesto for government.

These are think pieces that tackle a topical area within planning practice and sets out our recommendations for improvement. They comprise a growing series of Manifesto Background Papers that look in detail at specific issues. Those that are still current are summarised in our main Planning Manifesto paper that sets out the current ask from POS to the government.

The views expressed in these documents reflect the initial view of POS. It is a consensus position. It should not be taken as a final position; rather an informed starting point to debate the issues. It is expected that the recommendations will evolve as the debate progresses.

Where we can, we will work across the sector to craft proposals that have widespread support from the people who operate the planning system at the coalface: landowners, developers, agents, legal, local authorities and politicians. We will be both radical and practical as we look for solutions to tangible problems that will make a real difference to crucial areas. Our objective is to improve the planning system to enable it to deliver its key aim of sustainable development.

Other titles in the series can be viewed from our website.

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Summary

We need a coherent strategy directed at enabling the planning system to do what it can to tackle the housing crisis. We have set out a comprehensive series of measures that are designed to reform how we identify housing need so that communities are more likely to buy into the need to deliver additional housing, reforms to the spatial planning part of planning so that we are better placed to identify the sites that are needed, new measures designed to directly incentivise the delivery of housing and finally a wider series of measures to boost the supply side. Our recommended changes are:

- The rate of growth of housing in the last two decades is much greater than the rate of growth that was experienced in the 1920s and 1930s that resulted in the creation of the suburbs of London and other UK cities – that needs to be understood and form part of the policy narrative.
- The main causes of house price inflation are not a simple supply and demand issue, and to continue to see it through that lens when framing policy will continue to fail our communities.
- A new Standard Method:
 - POS supports the principle of having a Standard Method that assesses the actual level of housing needed in a locality – the current method does not do that – we set out one that does.
- Improving Spatial Planning
 - The rules around the allocation of land for housing need reform.
 - What Green Belt policy is should be revisited so that there is a better understanding of it and its potential role in dealing with housing growth can be explored properly.
 - Without a functioning strategic planning layer, meeting housing need will always be a sub-optimal process.
- Incentivising the delivery of housing:
 - Delivering supporting infrastructure is often key to local acceptability of new housing – we look at what is needed to make delivery more effective.
 - Measures initiated in the Republic of Ireland to tax housing land to incentivise its delivery are worth considering.
 - Local Authorities need the tools to be more pro-active in getting housing sites delivered and we set out changes to CPO powers to enable us to do that.
- Addressing the Supply Side:
 - Delivering Affordable Housing through the DM process has always been limited by viability issues – we set out a policy change that could deal with this.
 - History shows us that the contribution of Council Housing to deal with the housing crisis is crucial – we need to get back to doing it at scale.
 - Registered Social Landlords' contribution to affordable housing has reduced in the past decade or more due to cuts in grants – this needs to change.
 - Institutional Build to Rent can make an important contribution, especially in cities and other urban areas, to housing supply – there is no national policy for this sector and that needs to change.
 - Custom or self-build can only make a modest contribution to housing supply and generally meets demand rather than need – we urge government to do a proper cost-benefit analysis of policy in this area, especially given the severe shortage of resources in the sector.

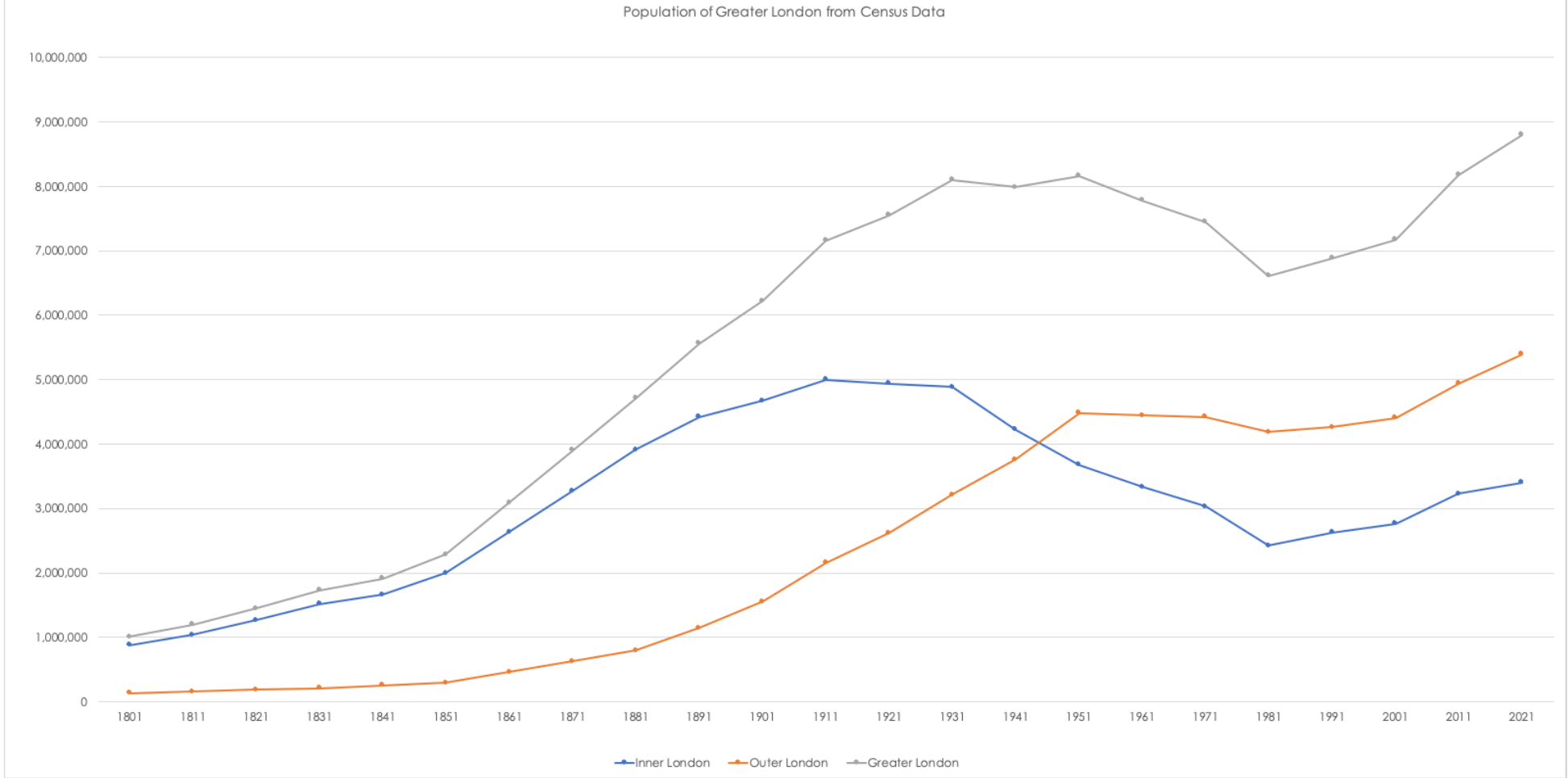
1 Introduction: unpacking the housing crisis

- 1.1 The housing crisis is obviously complex: it is much more than the simple economic supply and demand dichotomy that many commentators portray it as. Before POS sets out its recommendations in this paper for tackling the housing crisis from a planning perspective, this introduction will examine the make-up of the crisis. We will look at population growth, using London as an example and explore how that growth has been accommodated in the Capital. We will look at the nature of that supply since the Second World War to understand where new homes come from and what history tells us about how to increase supply in the future. We will also look at the main cause of house price inflation, as understood by economists at the Bank of England and other informed sources. Finally, we will examine the current government's target of 300,000 homes per year.

The rate of population growth in London

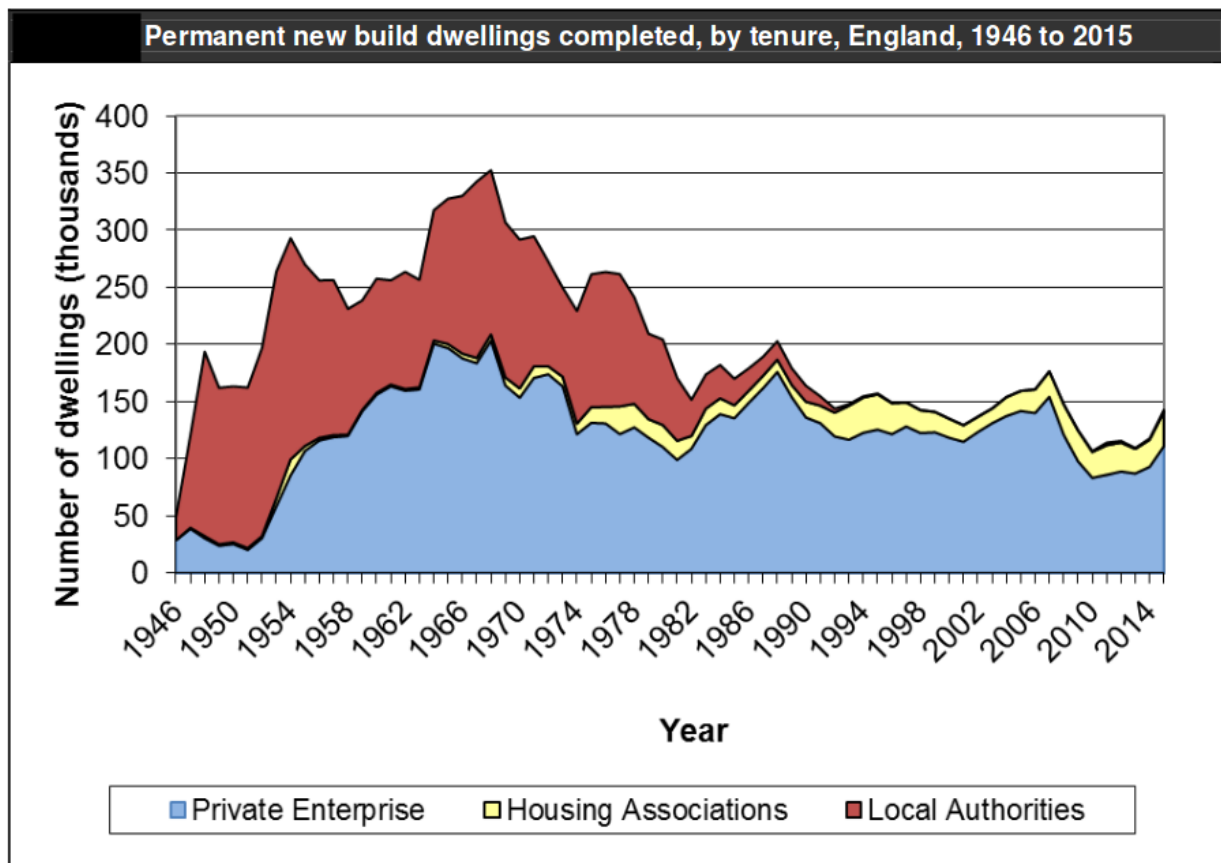
- 1.2 London has been chosen because of the availability of the necessary data, but also because it provides an excellent example of city growth and how it has responded to the myriad pressures that the UK faced during the 19th and 20th centuries as well as the pressures that we face today.
- 1.3 The diagram on the next page shows the population of London (the current GLA area using Census data) split between outer and inner London (as currently defined by the GLA) from 1801 to the last census in 2021. Greater London is shown in grey, Inner London in blue and Outer London in orange.
- 1.4 The growth of inner London from 1801 on the back of the industrial revolution is clearly seen in the graph alongside its decline between and after the wars as both slum clearance, war damage and regional policy in the 1960s & 1970s reduced London's population. The growth of outer London, whilst impacted by many of the pressures that inner London faced, does take a different path. It is a storey of almost continuous growth with only brief periods of flatlining after the Second World War.
- 1.5 The key point to make is that if you look at the growth of the Capital between the wars, when in effect most of the suburbs were built, the population of London grew from 7,157,875 in 1911 to 8,098,942 in 1931: a 20-year growth of nearly a million people (941,067). The growth of London over the last 20 years (from 7,172,036 in 2001 to 8,779,800 in 2021) has seen an expansion of over 1.5 million (1,607,764) people. This is a growth rate that is over 70% greater than that experienced in the inter-war period. At that time London accommodated its growth by sprawling. That sparked the modern Town Planning system and the Green Belt in 1947 to ensure that such widespread, largely uncontrolled development of the countryside does not happen again. The strategy in the London Plan to handle the current (greater) level of growth in the Capital is not to sprawl but to intensify. That is the choice we have: not intensifying and not sprawling is not an option; it is one or the other or more likely a combination of the two. The problem with the proposed changes to the NPPF is that fundamentally it is saying there is no need to intensify existing urban areas and you don't have to review your Green Belt in order to accommodate additional housing. That is not a sustainable position and will not deliver the necessary housing numbers.

Census Year	1801	1811	1821	1831	1841	1851	1861	1871	1881	1891	1901	1911	1921	1931	1941	1951	1961	1971	1981	1991	2001	2011	2021
Inner London	879,491	1,040,033	1,263,975	1,515,557	1,661,346	1,995,846	2,634,143	3,272,441	3,910,735	4,422,340	4,670,177	4,997,741	4,936,803	4,887,932	4,224,135	3,680,821	3,336,557	3,030,490	2,425,534	2,625,245	2,765,975	3,231,900	3,404,300
Outer London	131,666	157,640	186,147	214,392	255,667	290,763	460,248	629,737	799,225	1,143,516	1,556,317	2,160,134	2,616,723	3,211,010	3,763,801	4,483,595	4,444,785	4,418,694	4,182,979	4,262,035	4,406,061	4,942,100	5,395,500
Greater London	1,011,157	1,197,673	1,450,122	1,729,949	1,917,013	2,286,609	3,094,391	3,902,178	4,709,960	5,565,856	6,226,494	7,157,875	7,553,526	8,098,942	7,987,936	8,164,416	7,781,342	7,449,184	6,608,513	6,887,280	7,172,036	8,174,000	8,799,800



Housing supply since WW2

1.6 The diagram below will be familiar to many in the sector. It shows the quantity of new housing built per year since 1946 split between those constructed by private house builders, those provided by Registered Social Landlords (mainly Housing Associations) and finally those delivered by Local Authorities (Council Houses).



1.7 What is clear is that building 300,000 homes per year hardly ever happens. It was nearly achieved in the mid-1950s and achieved during the early to the late 1960s. Throughout that time (1946 to the late 1970s) at least half of the supply was Council Housing. The private house-building sector rarely builds more than 150,000 homes per year, with recent output much less than that. The contribution of the RSL sector has varied over time, mainly in response to the availability of subsidies to enable affordable housing to be built and its contribution can best be described as important but modest. The main crime of the housing crisis is that since the early 1990s, RSL housing is the only source of affordable housing, and the main source of subsidy is no longer from Government but from developers through §106 agreements.

The main cause of house price inflation

- 1.8 Of significant importance is the underlying rationale in existing government policy of treating housing like a commodity and expecting the powers of supply and demand to operate as they would with a car or other such commodity. Housing is an asset and operates as such – you don't set the price of new cars based on the value of old cars in the market, but you do with new houses and flats. It is the supply of money (generally mortgages) to buy those assets that mainly drives price inflation, as is recognised by economists at the Bank of England¹. Since the change from a Building Society only model to one where the banks can also give mortgages in the late 70s/early 80s we have seen rampant house price inflation as a direct result of this increase in the money supply for housing purchases (see 'Why can't you afford a home?' Josh Ryan-Collins UCL²).
- 1.9 To address this issue would require controls over the supply of money to purchase homes (ie mortgages) and the motivations of the players involved in that market, particularly the banks. The lessons from the GFC in 2007/8 have not been fully learnt. A return to a building society model would be needed, but that does not seem likely for any government to do. What POS asks is that government should stop pretending that house price inflation is mainly caused by the supply of housing, because it is not. Policies based on this thinking are fundamentally misplaced and do not address the real issues.

The 300K target

- 1.10 Some commentators have claimed that you can trace the current 300,000 homes target back to Winston Churchill. Whatever its origins, the current target appeared in the 2019 Conservative Party Manifesto: "we will continue our progress towards our target of 300,000 homes a year by the mid-2020s". The target does predate Boris' Manifesto, but the important point is that it is a political target, not having any current demographic basis. POS considers that for a target to be credible it must be based on an honest calculation of how many homes need to be built to properly house our population. In the next section we will set out how we consider that should be done.

2 A new Standard Method

- 2.1 POS supports the principle of having a Standard Method for assessing the actual level of housing need in a locality. The current Standard Method does not do that for the following reasons:
- It is based on out-of-date data – 2014 ONS data. The reason is that subsequent data sets gave lower numbers, and the sum total of all Council's housing need figures did not get government to its 300,000 target. Any method must be based on the latest data – to do otherwise undermines the methodology. Soon we will have 2021 census data, rather than ONS estimates, and that must be used.
 - The Affordability Factor makes no sense: if you have estimated how many homes you need – what are the additional homes driven by the Affordability

¹ [Houses are assets not goods: what the difference between bulbs and flowers tells us about the housing market](#) and [Houses are assets not goods: taking the theory to the UK data](#) both by John Lewis and Fergus Cumming, bank of England Researchers

² [Why Can't You Afford A Home. Josh Ryan-Collins](#)

Factor for – second homes? As explained above, housing does not operate as a commodity but as an asset which has different economic drivers.

- The 35% increase for the 20 largest conurbations is completely arbitrary and is not based on any evidence. Planning for housing in London and many other large cities has been based on a capacity-based approach and without a wholesale review of the Green Belt coupled with significant densification in the suburbs, the housing numbers produced for the Capital by the Standard Method are undeliverable. The same applies to the other conurbations and cities. A table produced by our Strategic Planning Specialist (Catriona Riddell) that sets out further analysis of this is included as an appendix.

2.2 A Standard Method must be based on sound demographic methodologies that seek to estimate the following:

- The growth of the population: births over deaths. It is considered that ONS generally do a sound job of estimating the level of growth between censuses at larger geographies but when it gets down to the Local Authority level it can become unreliable and needs local knowledge (eg of significant new developments) to produce accurate predictions.
- The net migration into or out of an area. Much of this will be movement within the UK (mainly between large cities and their hinterlands and from poorly performing areas into economically more successful areas) with a relatively small element being international migration. It is also considered that ONS do a sound job here, except for London where the GLA's statistical methods are considered more accurate for the unique characteristics of the Capital.
- An estimate of the level of hidden households: the number of people who want to have their own home but cannot afford one and so are still living at home, in other households or are being housed by Local Authorities. This is the most challenging aspect to estimate, but census and electoral role data coupled with housing waiting list data should be used to provide sound methods that are locally responsive, rather than an arbitrary national measure.

2.3 It is important that Local Planning Authorities are dealing with numbers that are realistic because they need to have a conversation with their local politicians and communities along the lines, "this is the number of extra people we will have to house in the future and this equates to this many homes of these types, so how we can house our children, and our children's children". Currently the conversation is more along the lines, "we have this number from government that has no empirical basis, but if we don't meet it, they will punish us". Is it any wonder that we have got into such a mess over planning for housing.

2.4 In many ways this is the most important part of this paper because it is the foundation upon which everything else is built. Without a sound basis for starting the conversation of how many homes we need to build to house our population, everything falls apart, as we have seen.

3 Improving Spatial Planning

- 3.1 Section 38(6) of the 2004 Act³ sets up our plan-led system where Development Management decisions “must be made in accordance with the plan unless material considerations indicate otherwise”. Getting the plan in place is clearly important but over the past 10 or more years this has proved a challenge for a range of reasons, but mainly due to changes in government policy, particularly around housing, and the toxic local politics that have built up as a consequence. This section looks at what can be done to address some of these concerns.

Allocation of land

- 3.2 Councils are required to identify a 5-year supply of housing sites to meet their identified housing need that are *Deliverable*. Housing sites in the 6+ year period need to be *Developable*. These words are defined in the NPPF as follows:

Deliverable: *To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*

a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).

b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.

Developable: *To be considered developable, sites should be in a suitable location for housing development with a reasonable prospect that they will be available and could be viably developed at the point envisaged.*

- 3.3 The Deliverable requirement is extremely onerous:
- sites for housing should be available now – but it’s a 5-year programme, so why *now*?
 - offer a suitable location for development now – again, it could become suitable within the 5-year period, eg when a key piece of enabling infrastructure is delivered.
- 3.4 In the qualifying examples in the definition it states that a site “should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years”. That is a very high bar, that in many locations not even the developer/owner of the site could meet, let alone the Local Planning Authority.

³ [Planning and Compulsory Purchase Act 2004](#)

- 3.5 The result of these definitions is that Local Plan Examinations become highly contested as developers who want their sites allocated (often in unacceptable locations) present evidence that sites already in the plan are undeliverable. POS thinks that this does not serve to assist a plan-led process. Our members also experience sites in urban/brownfield locations not being brought forward by their owners because they don't wish to develop them at that stage because they are awaiting what they see as more favourable conditions. There is no real advantage to an owner of an urban/brownfield site in having their land allocated in a Local Plan because the principle of the development is rarely the issue. It is all about the detail, which is generally for the Development Management stage. Given that we often need to bring such sites forward to meet housing need, this practice should not be tolerated. The Deliverable definition allows such practices to succeed.
- 3.6 Alongside the other measures set out in this paper (particularly in the next section) POS recommends that the Deliverable definition is dropped and that the Developable test is the one that should be applied to all allocations. This would need to be coupled with a clear development pipeline requirement which sets out the sequencing of sites so that it can be understood what is needed, and when each site should be brought forward so that matters like supporting infrastructure can be proactively planned. Government concerns that resulted in the Deliverable wording will be better addressed by the measures set out in the next section on 'Incentivising the delivery of housing', in particular issues around ensuring that supporting infrastructure is delivered coupled with the tools to deal with sites that have not commenced or are stalled.

We need to talk about the Green Belt

- 3.7 Government is saying that there should be no need to review Green Belt boundaries to accommodate necessary housing unless the Local Planning Authority considers that there are exceptional circumstances that justify doing so. POS considers that this is fundamentally wrong and displays a misunderstanding of Green Belt policy.
- 3.8 In 2015 the planners who have created and defended the Green Belt over its 80+ years took a step back from this highly charged debate to look at the policy afresh⁴. Our key insights are:
- The Green Belt is not an environmental policy.
 - When introducing the Green Belt with the 1947 Planning Act, the Minister at the time said, "even if ... neither green nor particularly attractive scenically, the major function of the Green Belt was ... to stop further urban development".
 - The Green Belt is a spatially constraining strategic policy whose main role is to stop cities from sprawling physically. It was part of a three-pronged suite of post-war policies that included what we now call urban renewal or regeneration (but at the time was largely slum clearance and the reconstruction of bomb sites) and a New Towns Programme.
 - Once Green Belt has been designated, national policy does require Local Authorities to sweat those open land assets and the 2023 NPPF changes seeks to re-emphasise this role.

⁴ [Manifesto No 3 – We need to talk about the Green Belt](#)

- The NPPF requires that, once established, Green Belt boundaries should only be altered in exceptional circumstances and then only as part of a review of a local plan as it is a strategic decision on where development should be located.
 - It seems axiomatic that it is only if the conditions that resulted in the creation of the Green Belt in the first place have changed, that it may need to be redrawn. This decision needs to be a strategic one and is not best taken at the local authority level.
 - Those conditions would be that it is now necessary for the urban area to physically grow to accommodate a growth in its population, because all efforts to accommodate that growth within its boundaries have been exhausted and a new settlement strategy beyond the Green Belt is not appropriate.
 - There are two types of Green Belt review: testing whether the current boundaries are correct and reviewing the Green Belt to release sites to meet housing needs.
 - The application of the five purposes that the Green Belt serves (para 80 of the NPPF) is the way to carry out the former but plays no useful role in the latter.
 - The Manifesto paper sets out a methodology that allows a Green Belt review that is designed to release sites for housing to be carried out.
- 3.9 POS understands that Green Belt has become the Marmite of planning policy: defended and decried in equal measure. The politics around it are generally toxic, but it remains one of the most successful policies of our planning system. Our cities have not sprawled and there is generally a clear distinction between town and country in the UK, unlike many other parts of the world. Perhaps a change of its name to the Urban Containment Zone is needed so that it would then ‘do what it says on the tin’.

Fixing the strategic layer

- 3.10 In 2011 the government abolished strategic planning in the form of regional spatial strategies. Almost everyone now accepts that the Duty to Cooperate (that was invented as their replacement) doesn’t work. Whilst POS advocates a return to a properly constituted regional tier with effective strategic planning at the regional and sub-regional tiers, there is no expectation that anything close to that is on the horizon. Instead Government is proposing to replace the Duty to Cooperate with an Alignment Policy to ‘secure appropriate engagement between authorities where strategic planning considerations cut across boundaries’. This will be tested at examination and will, in theory, be more flexible to manage than the Duty to Cooperate. Under the proposals, Inspectors would have the ability to amend Local Plans and address any strategic planning weaknesses, therefore allowing a plan to be found sound – whereas, currently, failure to comply with the Duty to Cooperate is the ultimate sanction on Local Planning Authorities, as the plan-making process must start again.

- 3.11 There remains however a fundamental problem: the Inspector is usually examining one plan at a time. It will be challenging, if not impossible, to sort out cross-authority issues if Inspectors do not have all the relevant plans, at least at the strategic level, before them. Therefore, for the proposed new Alignment Policy to be successful, all planning strategies and strategic planning matters from all the relevant Local Planning Authorities would need to be examined together. This is possible, but it is a significant task. It is only likely to happen if government makes the preparation of local authority joint Spatial Development Strategies mandatory rather than just encouraging their preparation. Only with a mandatory strategic level plan can spatial planning be restored in England. Without it we will continue to be sub-optimal at best and all too frequently dysfunctional.
- 3.12 A more effective approach to strategic planning would also allow Local Planning Authorities to look at housing alongside strategic infrastructure investment, economic priorities and environmental assets - a place-based approach to managing housing, which is what the Government says it wants in relation levelling up. A strategic approach would also allow Local Planning Authorities to consider Green Belt strategically and set the 'general extent' of Green Belt, with clarity around where it needs to be reviewed at a local level.
- 3.13 Finally, with a reformed Standard Method and a functioning strategic plan-making layer in place, POS considers that it is reasonable to place a duty on Local Planning Authorities to meet their housing need across such a large geography. Given that our proposals for the Standard Method generates a figure that represents the people within that area who will need homes, to not meet that need means that people will not be housed. That is not an output from a planning system that anyone should be satisfied with.

4 Incentivising the delivery of housing

- 4.1 The paper has looked at how we need to produce our housing numbers and how we can allocate enough land to accommodate those numbers. Housing allocations do not house people; the homes need to be built. The current approach by government is to punish Councils if housing isn't delivered against their local targets. The punishment enables more planning permissions to be granted even if Councils have granted enough planning permissions (although this is proposed to be changed). Given that Councils do not build those homes and have little in the way of effective powers to make developers build them, it is hard to understand the logic behind the Housing Delivery Test. In this section we look at more direct measures to assist and incentivise the delivery of allocated or permitted housing sites.

Delivering supporting infrastructure

- 4.2 Despite government's belief that making homes more beautiful will garner greater local support, the experience of our members at the coalface is that it is usually the fear of new housing resulting in increased pressure on already stretched local infrastructure that is the most common objection. Delivering infrastructure is key to ensuring that housing can be delivered and that it integrates successfully into the local community.

- 4.3 When all there was were §106 agreements, their big advantage was that the benefits that were part of a development were clear as they were spelt out in the legal agreement that was a prerequisite of planning permission being granted. When the committee was balancing the issues, the components on either side of the scales were reasonably well articulated. With the introduction of CIL (and its possible replacement, IL) the connection between the developer's contribution and the infrastructure delivered as part of a development was broken. Some developers do try to remake these connections, but they are not so clear as before and a certain amount of licence is required to translate a CIL payment into hard infrastructure provision directly related to a specific development.
- 4.4 The other significant problem is that we have a two-tier system of local government across over 85% of England and we also have combined authorities covering many metropolitan areas and national agencies like National Highways that are responsible for large chunks of infrastructure. Local Planning Authorities in these areas can't plan or deliver the infrastructure needed without a much better partnership with these other bodies, especially with county councils in two tier areas. We are seeing too many 'garden communities' or other large settlements being proposed by Local Planning Authorities without the necessary support of County Councils and/or Highways England. A much more joined up approach to infrastructure planning and delivery is urgently needed, and that includes funding. Counties are expected to deliver the infrastructure a Local Planning Authority says it needs in the Local Plan, yet they often get virtually no CIL funding even though they are supposed to.
- 4.5 As part of the proposals in this paper to improve the way that land is allocated for housing (and other uses) in the previous section, it follows that ensuring that the infrastructure necessary to unlock sites is key. This needs a funding stream, but it also needs Local Planning Authorities to be proactive in planning for the delivery of infrastructure. It is not always recognised that this needs to be done. Local Planning Authorities set CIL rates and produce planning obligation SPDs. They spend enormous amounts of time and resources negotiating agreements and in ensuring that monies are collected and accounted for. What is less typical is a systematic process to identify what infrastructure is needed and when, coupled with an active process to ensure that it is delivered in a timely manner. POS therefore encourages Local Planning Authorities to do this but also asks government to make it clear that this is a key function of a modern planning service. This needs to be supported by best practice dissemination by PAS.
- 4.6 It is vital that potential barriers to the release of land for housing are removed and that Local Planning Authorities are given the funding and the tools to achieve this.

Taxing housing land

- 4.7 The Republic of Ireland have introduced a system of residential zoned land taxation⁵ as a means of encouraging the development of such land. Such a model could be introduced into our system. The way it would work is that land that is allocated in a local plan for housing (see previous section for our recommendations on how this should be done) or land that has a planning permission for housing will be subject to this taxation. There would be a need to have a housing land trajectory so that land that is not expected to come forward soon is not taxed prematurely. Once taxation starts (and it is likely to be at a relatively low rate) the rate should increase annually so that the punitive effect increases over time to encourage development to take place. Taxation would cease on those parts of the site where completion of the development has taken place. The money raised should be used to fund infrastructure that supports housing provision generally.
- 4.8 POS sees this as a sensible direct tool that should act as a powerful incentive to develop land. It would also produce valuable funding for the provision of infrastructure.

Improving CPO powers

- 4.9 In 2017 POS published a Manifesto on improving CPO powers⁶. This was published following the establishment of the Housing Delivery Test and our thesis was that if we are to be measured on the delivery of housing, we needed the tools to be proactive in this area. Our proposals had three limbs:
1. CPO as a tool to tackle housing delivery:
 - A new CPO enabling power for Local Planning Authorities to use where a site is a 'housing site' and that development has not come forward after a 'specified period'.
 - A 'housing site' would include the following:
 - a site with a valid Planning Permission;
 - a site with an appropriate Permission in Principle (with Local Planning Authorities able to issue PiP unilaterally – see our Manifesto on this⁷); or
 - a specific site allocation in a Development Plan Document (including a Neighbourhood Plan).
 - The 'specified period' could be three years, to match the life of a planning permission.
 2. A simpler alternative to CPO:
 - Generally for funding purposes, Local Planning Authorities often have to enter back-to-back arrangements with a developer for CPO.
 - The time taken to procure the right partner and to negotiate the various agreements can be as long as, or even longer than, the CPO process itself.
 - POS believes that a Compulsory Selling Order could be the solution.

⁵ [Residential Zoned Land Tax: Guidelines for Planning Authorities](#)

⁶ [Manifesto No 7 – Compulsory purchase: three essential improvements](#)

⁷ [Manifesto No 4 – Red line submissions: a proportionate approach](#)

- The process would be like a current CPO, but the outcome would be an Order to sell the land with a specified minimum sales price which would be the existing use value – this would be set as part of the CSO process.
 - POS recommends ways in which this could operate.
3. Modernising the compensation regime:
- Land value capture is a challenge and not paying some (realistic) hope value would not be human rights compliant (Article 1, Protection of Property under the First Protocol of the Human Rights Act 1998).
 - However, the regime that has built up to deal with hope value is cumbersome and can have unintended consequences.
 - Alternative uses, which the landowner has never pursued, suddenly in a CPO scenario are viable and incredibly valuable, much more valuable than the current use.
 - POS believes that in scenarios where the CPO scheme is one with a clear market value, that there should only be two compensation options available to CPO land/property owners: existing use value or (if the owner considers that there is a higher hope value) a residual land value appraisal.
 - This would be the total value of the CPO scheme, minus the cost of providing the CPO scheme (including supportive infrastructure) and a contingency.
 - This approach would leave the CPO scheme-world land value, with all (realistic) hope value properly accounted for.
- 4.10 POS believes that if the changes set out above were implemented the CPO regime would represent a much more accessible and useful tool for Local Planning Authorities. It would enable us to act in a more proactive way to deliver sustainable housing development that meets the needs of our communities.

5 Addressing the Supply Side

5.1 It is important to note:

- In the last decade Local Planning Authorities have granted consents for 2.5M homes yet only 1.5M have been built.
- In 2019 (a record year) we granted consent for 371K homes, yet developers still only delivered 241K homes.
- We grant around 90% of all planning applications – often the time taken to deal with applications is spent negotiating away problems so we can grant consent as we are required to do by the NPPF.

5.2 The measures set out in the previous section can only go so far in ensuring that housing need is met. The Oliver Letwin Review⁸ made it clear that the main housing developers operate a rationing approach, which he referred to as the Absorption Rate, and they will not build beyond this for their own logical business reasons. The housing industry has operated like this since WW2, averaging less than 150K homes per year (see diagram in the Introduction above). The additional delivery of housing that was seen in the period immediately after WW2 was made up principally of Council House building. Right-to-buy discounts and rules, and a lack of investment in social housing since late 1970s has all but dried up this addition to the housing stock. To meet housing need we need to deliver on all fronts and it is clear that we cannot rely on the volume house builders alone. We need to ensure that all sources of potentially significant supply are mobilised.

Delivering Affordable Housing more effectively

5.3 Where there is a viability argument, affordable housing is inevitably the casualty and land price inflation or stagnation the outcome. POS has devised a public policy response that could effectively address this problem⁹. It is important that any response is flexible so that it can deal with the very different housing finance and policy conditions that exist in different parts of the country.

5.4 The approach to viability appraisals has been improved by Government changes to the PPG following the Parkhurst Judgement in Islington in 2018¹⁰. This has effectively stopped land price inflation on the back of developer confidence that planning obligations (usually the level of affordable housing) could be negotiated down thereby protecting final profits despite overpaying for the land. In Parkhurst, around £13M was paid (ironically to the Government – it was a former Territorial Army establishment), whereas a ‘policy compliant’ land value was around £6M. The price paid for the land is no longer an input into viability assessments.

5.5 Whilst this is an improvement it could result in a stagnation of the current level of affordable housing provision and POS recommends that this needs to be considered and addressed. The challenge therefore is how we can create the conditions that result in the suppression of land price inflation so that the trade in land is reset at a level that both delivers the full gamut of planning policy contributions but also maintains a healthy supply of land for development. We are suggesting that the solution could be to move to a fixed AH percentage that would not be subject to viability arguments, save for truly exceptional circumstances. The way it could work is as follows:

- The approach would start with an empirically established position: for each area the starting Affordable Housing level would be the average Affordable Housing percentage secured in (say) the last three years.
- Once the new system was introduced that would become the fixed Affordable Housing rate for that area for a period of two years.
- After that, the Affordable Housing rate would increase by 5% per annum until it reached the Affordable Housing target for the area as set out in the Local Plan.

⁸ [Oliver Letwin Review Final Report](#)

⁹ [Manifesto No 5 - Affordable housing: delivering it in a more effective way](#)

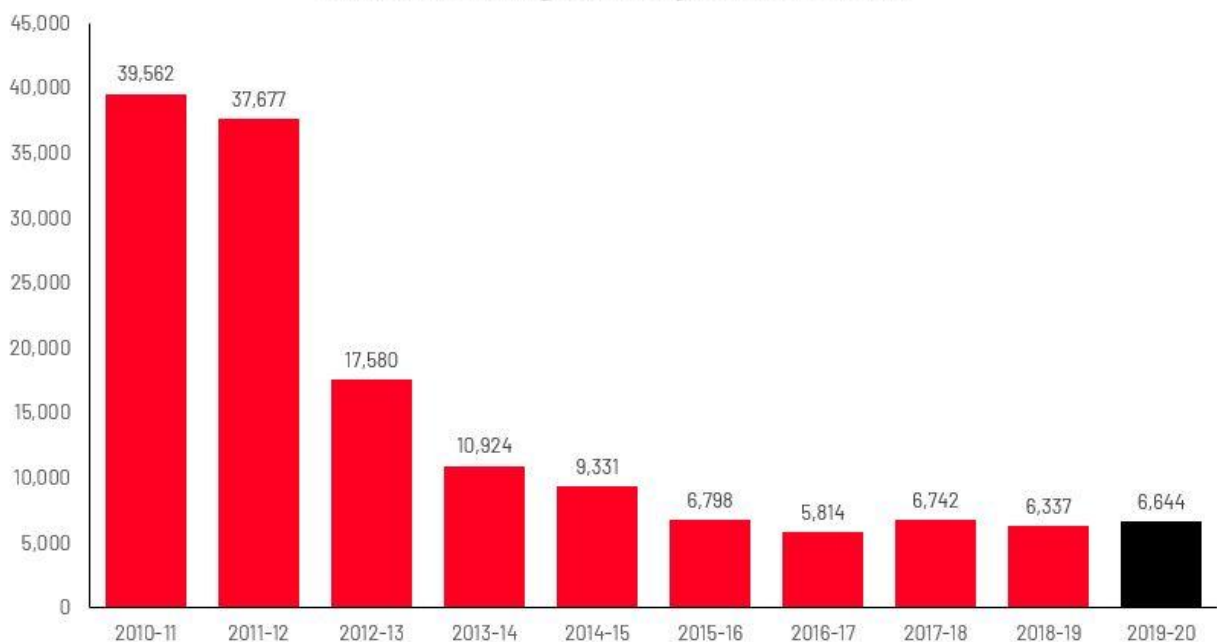
¹⁰ [Parkhurst Road Ltd v Secretary of State for Communities and Local Government and London Borough of Islington](#)

5.6 This would give the industry ample warning of the change so that they can adjust their behaviour: the run-in period where the policy is introduced, the two-year flat rate period and the modest 5% annual rise towards the policy set Affordable Housing target, all go towards enabling the change to be comfortably accommodated by the industry.

Unlock Council Housing

5.7 Research carried out by UCL¹¹ into the delivery of housing by Local Authorities shows, in their latest third report in 2021 that 80% of local authorities now self-report that they are directly engaged in the provision of housing, a notable increase from the 69% reported in 2019 and the 65% from the 2017 survey. In 2021 there was increased corporate priority around housing development, particularly around maximising affordable housing delivery. It is clear that Local Authorities see the need for and are actively re-entering the business of Council house building. The need to do so is compelling yet supporting this obvious answer to the need to deliver more affordable housing has not featured in any of the government’s initiatives over the last decade or more, in fact the opposite has occurred with government subsidies for affordable housing being cut¹². The resulting collapse in social housing delivery is all too clear in the graph below.

Social housing delivery since 2010/11

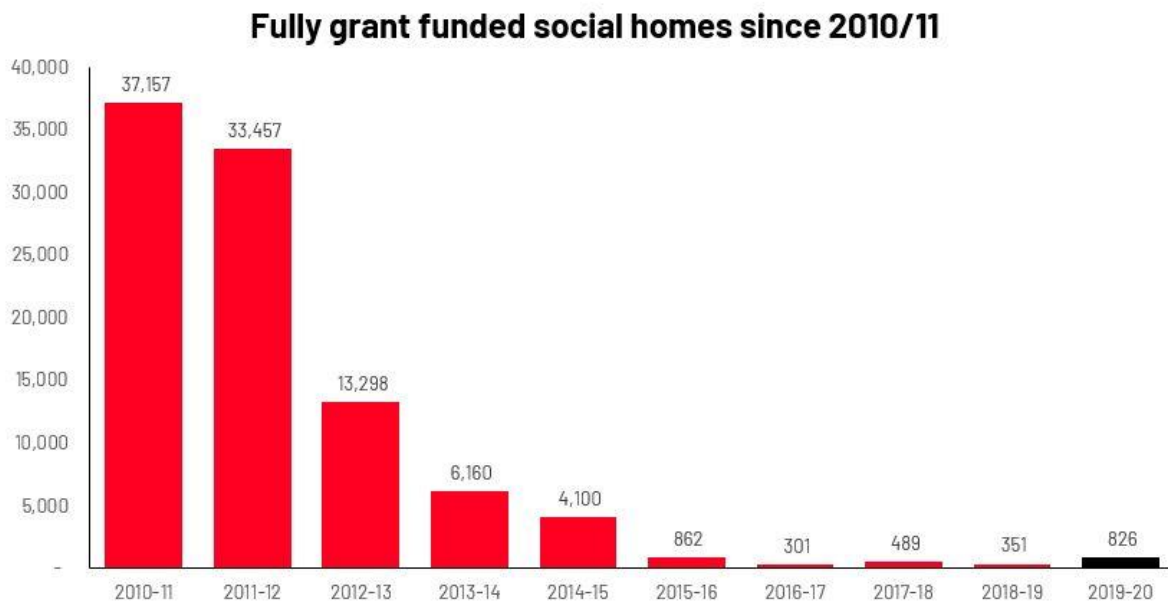


Source: MHCLG, Live tables on affordable housing supply, Table 1006C

5.8 But this is not the whole storey. In the last ten years, the majority of social homes have not been centrally funded by the government at all, but instead through §106 agreements. If §106 funded homes are removed from the equation, the picture for social housing is even more stark. This graph shows how many social homes have been fully grant funded by the government since 2010/11.

¹¹ [Third report on local authority housebuilding, UCL 2021](#)

¹² The 2010 spending review represented a 60% cut in the government’s Affordable Housing Programme for 2011 to 2015, compared to the 2008 to 2011 programme and those cuts have continued.



Source: MHCLG, Live tables on affordable housing, Table 1011C

- 5.9 The message is a simple and clear one: history shows us what needs to be done, Councils are increasingly doing what they can to deliver, and Government needs to step up to the plate to do its bit. The issue is not necessarily one of finding extra financial resources as the government is spending five times more subsidising private landlords through housing benefits than on its entire affordable housebuilding programme. This is about investing government money on new housing resources that will serve the affordable housing needs of society for the long term, rather than spending government money on short-term subsidies.

Give Registered Social Landlords a boost

- 5.10 RSLs are obviously victims of the cuts in government funding to its Affordable Housing Programme. The restoration of that programme should not only enable Council house building to be restored at scale, but the network of Housing Associations across England can be mobilised to work in partnership with their Local Authorities to see a step change in their output.

Institutional Build to Rent

- 5.11 There are very few large cities in the world where there is an expectation that housing need will be met by delivering homes to buy. Most global cities have an established housing rental stock that is provided at scale by institutionally backed investors. It is generally 'patient money' that takes a long-term view and provides homes that are good quality, on long-term leases that meet the needs of their occupiers throughout the various stages of their life. This has not been a feature of the UK housing market until relatively recently. Our private rented market is characterised by small scale operators who rent out relatively few properties. These are often being purchased and rented for personal reasons such as a pension provision. At best they are well-meaning amateurs and at worst they are incompetent or illegal operators.

- 5.12 In the last decade or so the large-scale, institutionally backed offer has started a period of growth in London and other large cities. There is a considerable amount of potential money willing to invest in this product due to the changes in the fortunes of retail, which was historically the favoured source of long-term investment. As this sector has expanded it has successfully moved into other markets outside of city centres.
- 5.13 Dealing with the sector in Development Management has proved challenging, especially with respect to the provision of affordable housing. Local Planning Authorities have adopted a variety of approaches. There is also an issue of the ability of this sector to compete with the volume housebuilders when buying land. POS asks government to carry out research in this area with a view to better understanding the sector so that it can be supported to expand and flourish and make a vital contribution to meeting housing need, particularly in cities. For those people who will never be able to buy a home in reasonable proximity to where they work but are not likely to qualify for social housing, this is a vital source of good quality housing. It is telling that the NPPF does not mention the rental sector at all.

Custom or self-build

- 5.14 POS recognises that this sector needs to be accommodated within the system, however the measures that are contemplated and the duties placed upon local councils need to be carefully considered in the climate of severe shortages of resources, particularly qualified and experienced planners. Government is urged to do a proper cost/benefit analysis of their policies in this area of housing supply, particularly given the potentially limited number of new homes that are likely to be produced and the fact that such homes generally represent a demand rather than a need. The planning system is there to meet society's needs, whereas it's the market's role to deal with demands.

6 Conclusions

- 6.1 POS considers that there has not been a coherent strategy in government policy directed at enabling the planning system to do what it can to tackle the housing crisis in recent decades. As set out in the introduction, the main causes of house price inflation are not a simple supply and demand issue, and to continue to see it through that lens when framing policy will continue to fail our communities. In this paper we have set out a comprehensive series measures that are designed to reform how we identify housing need so that communities are more likely to buy into the need to deliver additional housing, reforms to the spatial planning part of planning so that we are better placed to identify the sites that are needed, new measures designed to directly incentivise the delivery of housing and finally a wider series of measures to boost the supply side.
- 6.2 As always, POS stands ready to work with government to develop these propositions.

Appendix

20 largest towns/cities with required 35% uplift and current plan-making status

January 2023



Urban area with 35% uplift (see note 1)	National policy constraints (see note 2)	Local Plan status	Strategic Planning Mechanism
BIRMINGHAM BCC – Lab 10 MPs – 8 Lab/ 2 Con	Green Belt	LP (2017) being reviewed to address SM + uplift. Issues and Options consultation held in Oct 2022 and Preferred Options consultation scheduled for Oct 2023. 2017 LP only meet 57% of LHN which is pre SM uplift so very unlikely to be met within the city. Significant amount of GB was allocated through 2017 LP. Birmingham Local Plan Issues and Options Birmingham City Council	No local authority/ MCA strategic planning mechanism although BCC agreed to work with neighbouring authorities to address City’s shortfall in existing LP through review (pre 35% uplift). Not clear yet whether proposed planning reforms will impact on neighbour’s willingness to help - see latest from South Staff - Latest News South Staffordshire Council (sstaffs.gov.uk)
BRADFORD BCC – Labour 5 MPs – 3 Lab/ 2 Con	Green Belt	Current LP (2017) being reviewed. Evidence base shows SM + 35% uplift is 50% more than what has been delivered over recent years (average annual delivery 1,552 compared to 2,300) [Bradford Housing Need Addendum Report 2021] Draft Local Plan Preferred Options, February 2021 Para 3.8.11 of states that <i>‘However, based on current evidence it is considered that the additional 35% uplift of the standard method cannot be realistically met in terms of deliverable land supply, strategic constraints (Green Belt) and potential significant adverse impacts within the Regional City of Bradford’.</i> https://www.bradford.gov.uk/planning-and-building-control/planning-policy/bradford-district-local-plan/?Folder=Reg18#	No strategic planning mechanism. The West Yorkshire MCA agreed to prepare a statutory SDS as part of its 2021 Devolution Deal but conferral of new powers was postponed pending outcome of planning reforms. Nothing has happened since so assumption is it won’t be included as a MCA power. Addendum to the West Yorkshire devolution deal - GOV.UK (www.gov.uk).
BRISTOL BCC –NOC (Labour Mayor) 4 MPs – 3 Lab/ 1 Con	Green Belt	Current LP (CS 2011/ SA 2014) being reviewed and is proposing LHN based on own assessment of need which is 52,000 (2,600pa) compared to SM + uplift of 67,520 (3,376 pa). Currently no indication that neighbouring LAs are in a position to help meet any shortfall. Local housing need paper (bristol.gov.uk)	Previous attempts at a joint strategic plan and West of England CA SDS abandoned. BCC now working with neighbouring authorities through DtC to help meet unmet needs. Spatial Development Strategy - West of England Combined Authority (westofengland-ca.gov.uk)

Urban area with 35% uplift (see note 1)	National policy constraints (see note 2)	Local Plan status	Strategic Planning Mechanism
<p>BRIGHTON & HOVE BHCC – Green 3 MPs – 2 Lab/1 Green</p>	<p>South Downs National Park</p>	<p>Current (2016) LP and Part 2 (2022) only meets 44% of OAN– 660 pa in LP compared to 1,506 pa. This was accepted by Inspector as area highly constrained [City Plan Part One(brighton-hove.gov.uk)]. The plan is pre SM and 35% uplift.</p>	<p>Local Strategic Statement prepared by West Sussex and Greater Brighton Planning Board has not been updated since 2016. WS & Greater Brighton Strategic Planning Board - Coastal West Sussex Neighbouring Worthing has more recently had a its LP found sound with a housing shortfall of 74% (OAN 885 pa compared to LP target of 230 pa) Worthing Local Plan - Final Report (adur-worthing.gov.uk)</p>
<p>COVENTRY CCC – Lab 3 MPs – Lab</p>	<p>Green Belt</p>	<p>Current (2017) LP’s unmet need was redistributed to other LPAs within the Coventry and Warwickshire HMA. Coventry was subject to a legal review of ONS projections which reduced the underlying demographics for Coventry. LP now being reviewed and ‘exceptional circumstances’ are being considered for an alternative approach to LHN than SM (1.964 pa compared to 3,188 pa). coventry-and-warwickshire-housing-and-economic-development-needs-assessment- hedna-</p>	<p>No formal strategic planning mechanism other than shared evidence based and DtC for LPAs within the Coventry and Warwickshire HMA. Any shortfall within this HMA will also have to be considered alongside any potential shortfall arising from Birmingham as Stratford-on-Avon and North Warwickshire sit within both C&W and Greater Birmingham HMAs.</p>
<p>DERBY DCC – NOC (Con largest party) 2 MPs – 1 Lab/ 1 Con</p>	<p>Green Belt</p>	<p>Core Strategy adopted 2017. New plan being progressed with Reg 18 draft due to be published ‘Spring 2023’. Emerging local plan - Derby City Council</p>	<p>Part of the proposed new East Midlands County Combined Authority so only counties and UAs involved - no strategic / spatial planning powers to be included. East Midlands devolution deal - GOV.UK (www.gov.uk)</p>
<p>KINGSTON-UPON HULL HCC – Lab 3 MPs - Lab</p>		<p>LP adopted 2017 with no review underway yet.</p>	<p>Part of the York, North Yorkshire, East Riding and Hull (Non- statutory) Spatial Framework Spatial Framework Core Approach Dec 2019 (hull.gov.uk). Hull and East Riding have been considering MCA but no progress yet.</p>

Urban area with 35% uplift (see note 1)	National policy constraints (see note 2)	Local Plan status	Strategic Planning Mechanism
LEEDS LCC - Lab 8 MPs – 5 Lab/ 3 Con	Green Belt	Adopted Core Strategy was partially reviewed and adopted in 2019, including housing target which aims to meet LHN. Further partial review underway but will not reconsider housing target and therefore the 35% uplift. Introduction and have your say (leeds.gov.uk)	The West Yorkshire MCA agreed to prepare a statutory SDS as part of its 2021 Devolution Deal but conferral of new powers was postponed pending outcome of planning reforms. Nothing has happened since so assumption is it won't be included as a MCA power. Addendum to the West Yorkshire devolution deal - GOV.UK (www.gov.uk) .
LEICESTER LCC – Lab 3 MPs – 2 Lab/ 1 Ind		Post NPPF Core strategy adopted 2014. Consultation on the Reg 19 LP (started 16 Jan 2023) includes provision of c50% of its needs (OAN 39,500 which includes 35% uplift) with 18,700 to be provided by neighbouring authorities (agreed via SoCG). Leicester's emerging Local Plan set to progress to next stage	Non-statutory Leicester and Leicestershire Growth Plan provided foundations for agreement on meeting Leicester's needs. Strategic Growth Plan LCC (llstrategicgrowthplan.org.uk)
LIVERPOOL LCC - Lab 5 MPs - Lab	Green Belt	LP adopted Jan 2022 and aims to meet LHN in full but this was pre SM and the 35% uplift which will have to be addressed next time around. The Liverpool Local Plan 2013–2033 - Liverpool City Council	The Liverpool City Region SDS is the only CA SDS being prepared. There is agreement that all authorities within the City Region will meet their own needs but is based on existing (up to date) LPs, including Liverpool's LP so does not take account of 35% uplift. Spatial Development Strategy Liverpool City Region Combined Authority (liverpoolcityregion-ca.gov.uk)
LONDON Mayor/GLA - Lab	Green Belt	The London Plan is a spatial development strategy and the latest version (2021) was adopted before the 35% uplift. The Plan is currently not meeting its needs in full. The London Plan London City Hall	The London Plan provides a strategic framework for the London Boroughs' LPs but there are no strategic planning arrangements for the London 'City Region'.
MANCHESTER MCC – Lab 5 MPs - Lab	Green Belt	A joint local plan (Places for Everyone) is currently being prepared for 9 authorities across Greater Manchester and is aiming to meet the needs (incl 35% uplift) across the city region. Plan is currently at examination Places For Everyone - Greater Manchester Combined Authority (greater manchester- ca.gov.uk)	Joint local plan – Places for Everyone – replaced pervious attempt to prepare a Greater Manchester Spatial Framework which was abandoned following the withdrawal of Stockport from the process.

Urban area with 35% uplift (see note 1)	National policy constraints (see note 2)	Local Plan status	Strategic Planning Mechanism
NEWCASTLE NCC – Lab 3 MPs - Lab	Green Belt	Joint plan (2015) with Gateshead not currently being updated although it was reviewed in 2020 with conclusion that it did not need to be updated. CSUCP Review Interactive.pdf (newcastle.gov.uk) . This review predated the 2020 requirement for a 35% uplift.	Joint local plan with Gateshead Local Plan (newcastle.gov.uk)
NOTTINGHAM NCC - Lab 3 MPs - Lab	Green Belt	The current Core Strategy is aligned with neighbouring authorities. The Council is now working together with neighbours to develop a Greater Nottingham Strategic Plan. Consultation on the preferred approach has just been published for consultation (Jan 2023). This aims to meet Nottingham’s needs in full, including the 35% uplift, with some accommodated in neighbouring LPAs. SM requirement from 2022 to 2038 is 28,368 dwellings and there is a projected supply of 25,758 dwellings giving a shortfall of 2,610. Greater Nottingham Strategic Plan: Preferred Approach (gnplan.org.uk)	Working with neighbours on a Greater Nottingham Strategic Plan. Part of the proposed new East Midlands County Combined Authority so only counties and UAs involved - no strategic / spatial planning powers to be included. East Midlands devolution deal - GOV.UK (www.gov.uk)
PLYMOUTH PCC – NOC 3 MPs – 2 Con/ 1 Lab		Part of Plymouth and SW Devon Joint LP (2019) which was prepared pre- SM uplift. A review of the plan is now not expected until 2024. Plymouth and South West Devon Joint Local Plan PLYMOUTH.GOV.UK	Part of the Plymouth and SW Devon Joint Plan
READING RBC – Lab 2 MPs – 1 Con/ 1 Con		Current LP (2019) adopted pre SM + 35% uplift. LDS not updated since 2016	None
SHEFFIELD SCC - Lab 6 MPs – 5 Lab/ 1 Con	Green Belt	Reg 19 LP published Jan 2023. Aims to meet 35,530 over plan period (through urban capacity/ regen strategy) compared to SM + 35% uplift of 51,544 (2,090dpa compared to LHN +35% of 3,032dpa). The DtC Position Statement makes it clear that other LAs in the City Region are not in a position to help. Draft Local Plan Have Your Say Sheffield (engagementhq.com)	Although the South Yorkshire MCA (formerly the Sheffield City Region CA) has powers to prepare a non-statutory spatial framework, these have not been implemented. South Yorkshire Mayoral Combined Authority - South Yorkshire MCA (southyorkshire-ca.gov.uk)

Urban area with 35% uplift (see note 1)	National policy constraints (see note 2)	Local Plan status	Strategic Planning Mechanism
SOUTHAMPTON SCC – Lab 3 MPs – 2 Con/ 1 Lab	New Forest National Park, Issues with nutrient neutrality impacting on sub-region	Core Strategy (2015). New plan currently being prepared with Reg 19 version due for publication 2023. Consulted on Reg 18 plan with options at the end of 2022 and proposes a capacity-led requirement of 16,800 against LHN with uplift of 26,500. Southampton City Vision	Part of the Partnership for South Hampshire (PfSH) Spatial Position Statement but this has not been updated since 2016 although the authorities have agreed to work together on common evidence through a SoCG (2021) Planning and Infrastructure - Partnership for South Hampshire (push.gov.uk) PfSH Position Statement - Partnership for South Hampshire (push.gov.uk)
STOKE ON TRENT SoTCC – NOC 3 MPs - Con	Green Belt	Stoke reviewing LP to replace existing joint CS with Newcastle Under Lyme after Newcastle pulled out of joint plan review in early 2021. Issues and Options consultation held in 2021 but no progress since. Stoke-on-Trent Local Plan Stoke-on-Trent	None
WOLVERHAMPTON WCC - Lab 2 MPs - Con	Green Belt	Part of Black Country Joint LP but review has now been abandoned since Dudley pulled out of the review due to disagreements about housing numbers and distribution. Dudley will “go it alone” on housing and employment plan Dudley Council New Wolverhampton Reg 18 LP now being prepared.	Black Country joint plan not being progressed. Part of Greater Birmingham/ Black Country HMA.

Notes:

(1) Urban areas are those proposed by the Government in the 2020 NPPF but also confirmed in the current consultation on planning reform- [Levelling-up and Regeneration Bill: reforms to national planning policy - GOV.UK \(www.gov.uk\)](#)

(2) National policy constraints are those referred to in the NPPF but some areas also have other significant constraints, for example, due to their coastal location or tight administrative boundaries