

Proposed SWT Officers Response Planning for the Future: August 2020

Appendix B Schedule of Questions asked: Changes to the current planning system

Question Asked
<p>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?</p> <p>If the household projections are to be used as the 'top up' (White Paper, paragraph 24) the Government should be confident that the projections are sound given the variations seen between the 2014-based, 2016-based and now the 2018-based projections. We are concerned that the latest household projections may be influenced by short term trends in housing completions. This would mean that local authorities that have delivered high housing numbers through positive and proactive planning are now expected to deliver even more housing as a result. This approach would create a vicious circle whereby high housing completions would lead to a higher housing figure in future.</p> <p>The new method demonstrates a need for 337,000 homes compared to the 300,000 homes target of the Government. Given that individual underperforming authorities have a buffer applied as part of the Housing Delivery Test it would be doubling up for the Government's overall target to also include a buffer above the original 300,000 target.</p>
<p>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?</p> <p>In many areas the 0.5% existing stock figure will be irrelevant. The household projections are described as a 'top-up' (paragraph 24) to the existing stock figure. However, they will be more significant than a mere 'top-up' in many areas. In some areas the household projections are much larger than the existing stock so the robustness of the projections is questionable. Using Somerset West and Taunton as an example, 0.5% of the existing stock is 365 but the annual average household</p>

Proposed SWT Officers Response

Planning for the Future: August 2020

projection is 861. If household projections generally exceed the existing stock figure then the use of the existing stock will not add much stability or predictability as areas will still be led by the more unstable household projections.

As the household projections remain the most significant element of the Standard Method, the Government must ensure that the projections are sound. Paragraph 25 of the White Paper admits the volatility of household projections “*This is because stock is stable and does not vary significantly, unlike a household projections-only approach.*”

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.

Agree that this is an appropriate measure of affordability.

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.

Whilst the change in affordability is useful information, it does not in any way directly correlate to housing need.

This proposed change to the Standard Method is confusing the purpose of the housing figure. The housing figure exists to identify a figure that would meet housing need derived from demographic change (NPPF Section 5). To address affordability, LPAs are expected to identify the need for affordable housing products and seek to deliver this through affordable housing requirements.

The issue of affordability is clearly much more complex than the consultation document suggests as evidence in the House of Lords Select Committee: Building More Homes (2016) demonstrates:

- “*The price of housing is determined by the balance in demand and supply for the entire housing stock rather than the supply of new homes alone. A higher rate of construction will need to be sustained over many years to have a substantial effect on prices.*” (paragraph 67)

Proposed SWT Officers Response

Planning for the Future: August 2020

- It refers to a quote by Paul Johnson, Director of the Institute for Fiscal Studies, who said low turnover was a problem: *“the lack of willingness to sell, despite the extraordinary prices around, is creating a lack of supply.”* (paragraph 64)
- It summarises the reasons for an increase in demand being *“...population growth, rising incomes and greater mortgage availability...”* (Paragraph 23) and also notes in that *“the rate of house price growth currently exceeds the rise in incomes.”* (Paragraph 81)

The purpose of the housing figure must remain as to meet housing need. The figure does not exist to improve affordability as that would be another equation requiring further data. In the first instance it would need to determine an affordability target for the LPA and then determine how many houses would be needed to reach that target and over what period. However there are clearly multiple reasons for worsening affordability, as shown above, so to land the responsibility of improving affordability at the door of LPAs and, as the proposed SM does, effectively penalise LPAs for having a worsening affordability when in reality it is beyond their control is ludicrous.

Using Somerset West and Taunton as an example, the local planning authority has delivered high housing numbers in recent years in its former administrative area of Taunton Deane Borough Council compared to the current Standard Methodology figure for the area (average of 811 dwelling completions per annum 2014/15-18/19 compared to current SM figure of 614). We have exceeded targets and our housing stock has grown quickly but at the same time housing affordability has still worsened. Clearly increasing housing delivery does not necessarily improve affordability yet we are penalised for performing well. We request that the affordability multiplier is removed from the proposed SM.

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

Affordability is given too much weighting and not justified (see response to Q4). The affordability of an area is in part (but potentially a large part) due to housing ‘demand’ not ‘need’. Housing ‘demand’ is a market driven concept and relates to housing that households will choose to occupy based on preference, willingness and ability to pay. Therefore areas that are more desirable for whatever reason (landscape, schools, transport) are more likely to experience affordability pressures. This may not be down to ‘need’ which refers to the housing required, given growth in households derived from household size and population growth. For example, an attractive village, with good access to a trunk road and an outstanding primary

Proposed SWT Officers Response

Planning for the Future: August 2020

school would experience high housing 'demand' and affordability issues but this would not translate to a 'need' to build more houses there. We request that the affordability multiplier is removed from the proposed SM

Do you agree that authorities should be planning having regard to their revised standard method need figure, from the publication date of the revised guidance, with the exception of:

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?

Any transitional arrangements should be over a long enough period to realistically allow LPAs to deliver Local Plans that they have been working on to avoid wasting public money on having to re-do expensive evidence base a further consultations. Consideration should be given to the minimal staff and financial resources available to do this and the impact Covid-19 has had on delaying Plan making.

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?

As Q6.