

Better Planning for Housing Affordability

Position paper (February 2017)

Why better planning is part of the solution to the housing crisis

This position paper sets out how in England in particular we have adopted the wrong approach to improving housing affordability, based on an incorrect diagnosis of what the problem is – and sets out a better approach.

There are many reasons why we are not delivering enough houses. Under successive governments in England, pursuing “planning reform” as the silver bullet solution to housing affordability (on the basis that planning is the primary problem) has overlooked the range of other factors involved, and therefore the full range of solutions that can be brought to bear on the problem. This approach has also ignored the positive role that planning can play as a part of the solution.

In advance of the UK Government’s forthcoming White Paper on housing, this paper sets out the basis for a better approach to housing affordability, based on:

- an acknowledgement of the multifaceted nature of the problems in housing, which successive governments’ policies have often neglected;
- a recognition of the positive role that planning can play in delivering better housing affordability; and
- a call to rethink how we develop policy, in ways which are less theoretical and more grounded in practice, based on what actually works locally.

It’s time for planners to demonstrate how better planning is a vital part of the solution to the UK’s housing crisis.

About the RTPI’s Better Planning programme

The RTPI’s Better Planning programme will provide practical advice and intelligence to RTPI members and others, in ways which demonstrate how planning is part of the solution to major social, economic and environmental challenges.

This Better Planning project will focus on the role of planning in delivering housing affordability. More information of the Better Planning programme can be found at the end of this paper.

The housing affordability crisis

Housing costs of all types and tenures are rising across the UK as part of a phenomenon frequently referred to as “the housing crisis”.

The high cost of housing is not confined to (private ownership) house prices; as it stands all tenure types command a disproportionate amount of peoples’ income.

Consider that:

- More than three million households in the UK now spend more than a third of their income on housing.
- The number of 25-year-olds who own their own home has more than halved in the last 20 years (20 per cent, compared to 46 per cent two decades ago).¹
- Average house prices are now at 7.9 times average earnings; this is particularly difficult for many young aspiring homeowners.
- There has been an 88 per cent fall in the amount of social housing built compared to 20 years ago.²
- The number of homes being built which are classed as “affordable” has fallen to its lowest level for 24 years (only 32,000 new homes).
- The UK is building 15 per cent fewer homes than it was in the five years before the downturn in 2008.³
- The number of “working households” living in poverty (7.4 million people, including 2.6 million children) has reached record levels in part as a result of the housing crisis (especially in London and southern England) and high rents in the private rented sector.⁴
- More than a quarter of a million people are homeless in England alone.⁵

Although this is a current problem, it is not a recent trend. The costs of housing have been “decoupling” from earnings for some time; since 1975 real house prices have increased by 126 per cent.⁶

¹ Local Government Association (2016), Proportion of 25-year-old homeowners halved in 20 years, media release, 22nd December.

² Op cit.

³ Carter Jonas (2016), Delivery of New Build Homes Down 15% on Pre-Downturn Levels, media release 12th December, www.carterjonas.co.uk/news-and-events/news-and-press-releases/Dec-2016/delivery-of-new-build-homes.aspx#sthash.jCulPCIT.dpuf

⁴ Joseph Rowntree Foundation/New Policy Institute (2016), Monitoring Poverty and Social Exclusion 2016, Joseph Rowntree Foundation/New Policy Institute: York/London.

⁵ According to Shelter, see BBC News (2016), More than 250,000 are Homeless in England – Shelter, BBC News website, 1st December.

⁶ Nationwide (2015), Q2 House Price Index, Nationwide: London.

Why planning has been blamed for the housing crisis

Broadly, there are two types of explanations offered for the housing crisis: those that explain the current situation mainly with reference to a single issue – that of planning – and those that acknowledge the multifaceted nature of the problem.

Starting with the former, the “anti-planning” argument alleges that planning restricts the supply of land (and has done so over a long period) and that this is the locus of the problem, resulting in spiralling house prices. Following this argument, some researchers have claimed that 35 per cent of the average house price in the UK is directly attributable to “planning constraints”.⁷

According to this argument, if planning is removed (or sufficiently deregulated), in the absence of burdensome regulations “the market” will deliver enough housing to meet demand and house prices will (begin to) drop.

If the solution is so straightforward, why have successive governments not done this?

Anti-planners argue that government is unwilling to confront the organised “nimbyism” (“not-in-my-backyard” local resistance to development) that real reform would require, and that the planning system and local politicians have been unduly influenced, in particular by older home-owning voters.⁸ Existing homeowners like high house prices, they are older and they vote. Those who cannot buy are younger, more mobile and less likely to be on the electoral register, let alone actually vote. The political incentives are therefore aligned in favour of the status quo.

The result is that young people are unable to access affordable housing in desirable areas near to employment opportunities, because NIMBYS object to housing being built in their locality, and government holds the planning system in place (albeit perhaps reluctantly) in order to prevent development in areas where voting homeowners live.

For the anti-planners, removing or reducing planning regulations in order to increase supply as a means to achieving housing affordability is the only substantive option available to policy-makers – one that, from the anti-planners’ perspective, policy-makers have largely ducked. Hence – in their view – the present and ongoing housing crisis.

⁷ Hilber, C., and Vermeulen, W. (2016), “The impact of supply constraints on house prices in England”, *Economic Journal*, Volume 126, Issue 591, pp.358-405.

⁸ See Webster, B. (2016), “Middle classes exploiting ‘Nimby’s charter’”, *The Times*, 26th August.

The focus on “planning reform” has failed to resolve the housing crisis (and may have exacerbated it)

This said, the anti-planners’ argument has been influential, in that policy-makers’ attempts to ensure more housing and improve housing affordability have often focused on “planning reform”: deregulation of planning, “streamlining” policies and regulations, “fast tracking” of planning processes and so on.

This explains the sense of almost continual change in the planning system (planning policy and regulation), in England in particular, and the plethora of housing policies and initiatives over recent years.⁹ It should also be noted that these “reforms” have also often focused on housing numbers at the expense of design, quality, and location – and indeed how we create better communities.

Clearly, the increasing housing crisis suggests that this approach hasn’t worked.

Planners would largely agree. According to a survey of RTPI members in England in 2016:

- 73 per cent think constant changes to planning have hindered their ability to deliver good places;
- 53 per cent think these changes have hindered housing development;
- 70 per cent think they are less able to deliver benefits of planning compared to 10 years ago.¹⁰

The question is, why has this approach of focusing on “planning reform” largely failed?

⁹ See MacDonald, K. (2016), The Government’s Housing Policy for England, available at: www.rtpi.org.uk/media/2022160/the_governments_housing_policy_for_england_-_november_2016.pdf

¹⁰ As included in Adams, D., O’Sullivan, M., Inch, A., Tait, M., Watkins, C., and Harris, M. (2016), Delivering the Value of Planning, RTPI: London.

What has the focus on “planning reform” neglected?

There are many reasons why we are not building enough houses. Pursuing “planning reform” as the silver bullet solution to housing affordability – on the basis that planning has been the primary problem – has overlooked the range of other factors involved, and therefore the range of other solutions that can be brought to bear on the problem. We note 10 factors below.

1. The relationship between housing supply and affordability is neither simple or direct

At the root of the focus on planning has been the question of supply. It has been clear for some time that housing supply is not keeping up with the additional demand generated by demographic change, including rising life expectancy, the growing number of one-person households, and immigration.¹¹ It might then seem obvious that the cause of higher housing prices is a lack of supply, and that the answer is to simply “build (a lot) more houses” – hence the need to “free-up” the perceived barriers to supply.

However, empirical analyses indicates only a weak relationship between land supply, housing supply, and rates of house price growth,¹² and almost no relationship between land supply and the other factors that impact affordability such as transport costs, energy bills, food expenditure, and access to employment.^{13 14}

As the real estate company Savills has noted: “Actual housing demand is determined by the number of people willing and financially able to buy a home, second home or investment... [based on]: their ability to sell their existing home, their access to housing equity/deposit, their access to credit at an affordable price, their current income and expectations of future earnings/employment, the financial and tax (dis)incentives of property ownership, expectations of future returns, and sentiment in the general market and at an individual level. Of these factors, it is perhaps the cost and availability of credit that has had the greatest direct effect on housing market demand over the last two decades.”¹⁵

Even if one accepts the narrow proposition that “increased supply = more affordability”, since only 10 per cent of homes are new (the majority of sales are of course from the “second hand market”) it would take a long time for increased supply to impact on price (supported by a consistent policy approach maintained over many political cycles). We need more housing, but we need a proper understanding of just what it will take to improve housing affordability – not simplistic assumptions that lead to short-term (and counter-productive) policies.

¹¹ Regarding demographic change see RTPI (2014), Future-Proofing Society, RTPI: London; on the implications for housing demand, see Williams, P., and McDonald, N. (2014), Understanding Recent changes in Household Formation Rates and their Implications for Planning for Housing, RTPI: London.

¹² See Saunders, P. (2016), Restoring a Nation of Home Owners, What went wrong with home ownership in Britain, and how to start putting it right, Civitas: London.

¹³ Costello, G., and Rowley, S. (2015), ‘The Impact of Land Supply on Housing Affordability in the Perth Metropolitan Region’, Pacific Rim Property Research Journal, Volume 16, Issue 1, pp.5-22.

¹⁴ Bramley, G., Leishman, C., Watkins, D. (2008), ‘Understanding Neighbourhood Housing Markets: Regional Context, Disequilibrium, Sub-markets and Supply’, Housing Studies, 23 (2), pp.179.

¹⁵ Hudson, N. (2015), Housing Market Note, New Build Research, A Panacea?, Savills: London.

2. Issues in the land market inhibit more housing development

The limited supply of land in optimal locations close to major employment clusters and transport infrastructure,¹⁶ amplified by the financial system and demand side policies, means that land values tend to rise at a considerable rate over time.¹⁷ The gain in value that public investment in infrastructure delivers is generally very high, which can encourage strategic land trading rather than development.¹⁸ The financialisation of the land market prevents land coming forward for development and can in some situations result in landowners being the greatest beneficiaries of residential development – not developers, communities, or central or local government.

It is believed that over a quarter of all brownfield land in England has been vacant or derelict for at least nine years. Why these sites remain undeveloped has been insufficiently studied, but the available research suggests that this is due as much to 'institutional' factors (for example, who owns land and the structure of land and property markets) as economic or physical ones.¹⁹

Among the most problematic of these institutional factors are unrealistic expectations by owners of what their land is worth. Relatedly, some landowners may also have unrealistic expectations over the value of their land, inhibiting otherwise viable development coming forward, especially when reinforced by conventional valuation practices. Paradoxically, economic upturns can exacerbate this, by encouraging an even greater sense of unreality among owners and developers about what returns are achievable.

In addition to this uneven distribution of land values and land value uplifts, the lack of a comprehensive open access national database of land ownership means that planners and others find it difficult to work out who owns land, which presents another obstacle to land being brought forward for development.

The characteristics of those who do own land can further exacerbate the problem. Quite a few pieces of strategically important land are owned by absentee landlords, often offshore companies using the land as a trading asset rather than as something to build houses on. A recent investigation found that over £170 billion worth of properties have been acquired by offshore companies in the last ten years alone.²⁰ This is part of a wider problem with the inaccessibility of the land market, where competition over land impacts on the price, quality and location of housing.

3. Inequality and the financialisation of housing have meant that a home is out of the reach of many

The proportion of GDP accounted for by wages has been falling while wealth coming from asset appreciation has been growing, and has been exacerbated by the monetary policy responses to the 2008 economic crisis. Quantitative easing

¹⁶ See the RTPI's ongoing research project on the Location of Development, at: www.rtpi.org.uk/knowledge/research/projects/location-of-development/

¹⁷ Shelter and KPMG (2016), *Building the Homes We Need: A Programme for the 2015 Government*, Shelter/KPMG: London.

¹⁸ For the RTPI's proposals for how to maximise the returns on investment in infrastructure for example, see RTPI (2014), *Transport Infrastructure Investment: Capturing the wider benefits of investment in transport infrastructure*, RTPI: London.

¹⁹ See for example Adams, D. (2015), *Compulsory Sale Orders as a Response to Hardcore Urban Vacancy and Dereliction*, paper presented to Transience and Permanence in Urban Development Workshop, University of Sheffield, January, and Adams, D. (2015), *What Can Planners Do About Hardcore Land Vacancy?*, paper presented to AESOP conference, Prague, July.

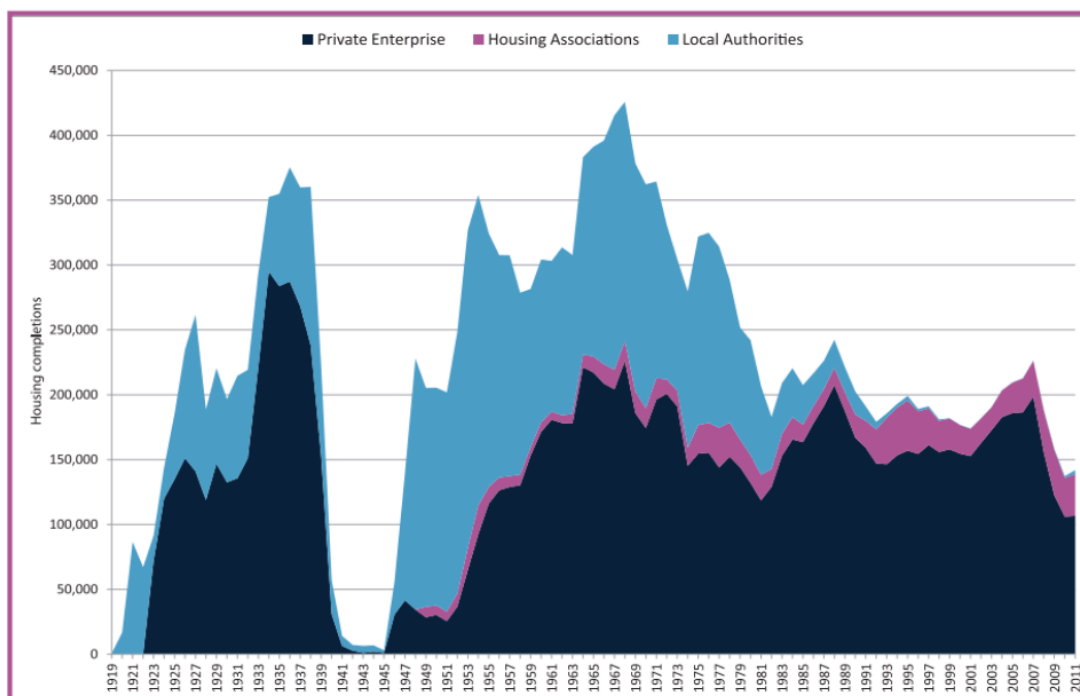
²⁰ See www.private-eye.co.uk/registry

has increased asset values and borne down heavily on savings and wages. This has led to growing intergenerational inequality, especially inequality between property owners and renters. The financial features of the UK's emphasis on owner-occupation (state-sponsored and debt-financed expansion of individual owner-occupation of housing, the privileging of home ownership in the tax system) have exacerbated this.²¹ This growing inequality, including related to home ownership, and in combination with the other factors identified here, have caused housing to become less affordable for many over time.

4. Local authorities have had a much reduced role in house building

Until the early 1980s, local authorities were a key direct source of housing supply, but this has not been the case since then (as illustrated in the chart below), although this is now changing somewhat in response to the housing crisis.

UK housing completions from 1919 to 2011²²



Among other analyses, the Lyons report (2014)²³ highlighted this gap in provision as a significant and continuing contribution to the housing crisis – indeed, the deficit in housing provision has reflected the former local authority contribution to housing supply.

Local authorities have now started to (re-)engage directly in housing delivery. In 2015, a survey found that over 50 per cent of local authority leaders intended to set up housing companies to directly engage in housing provision.²⁴ The House of Lords Built Environment Committee has recommended that local authorities

²¹ Edwards, M. (2015), *Prospects for Land, Rent and Housing in UK Cities*, London: Foresight, Government Office for Science.

²² RTPI (2013), *Delivering Large Scale Housing: Unlocking schemes and sites to help meet the UK's housing needs*, London: RTPI.

²³ The Lyons Review (2014), *The Lyons Housing Review, Mobilising across the nation to build the homes our children need*.

²⁴ Sharman, L. (2015), 'Half of councils setting up companies to tackle housing shortage', LocalGov, 4th August.

should return to direct provision of housing,²⁵ and the Local Government Association's (LGA) Housing Commission is undertaking a review of how this could be achieved.²⁶ The RTPI has also commissioned research in this area as part of this programme of work (see further below).

5. There is a geographical bias in housing policy

The anti-planning argument (and so often the emphasis in housing and planning policy) also suffers from a lack of geographical perspective.²⁷ In England, the argument typically operates from a London/South East perspective, and describes regionally-specific problems as if they are national problems. Yet England has not one housing market, but many.

The housing crisis is most concentrated in London and the South East of England (which is not to deny problems elsewhere). The most marked housing problems, as measured by three main indicators (household overcrowding, homelessness, and housing affordability), are concentrated in the southern "mega-region", and particularly in London boroughs.²⁸ (Local authorities with high homelessness outside London include Birmingham, Northampton, Luton and Portsmouth.)

In many cities the primary need is to attract rather than to accommodate growth – essentially the inverse of the problem faced by London, where the primary concern is how to accommodate a rapidly-expanding population. Describing the South East's housing challenges as if they are national ignores the housing problems faced in other regions, among them: vacant housing in the North West; the ageing population (and hence changing housing needs) in the South West; the degree of unimplemented permissions in the North West and North East; and a lack of effective demand in parts of the North (particularly in low wage areas). These are not issues that would be solved simply by a mass release of greenbelt land or the densification of housing in urban areas.

Rural communities are also particularly hard-hit by dwindling affordable housing: eight per cent of rural housing is classed as affordable compared to 20 per cent in urban areas.²⁹ This has seen the average age in rural communities rise as young people are priced out, and services such as shops and post offices have closed.

Another way of looking at the housing crisis then is that what we lack is not so much new housing (though we do) but rather *more housing in more good places* – places with the attributes which attract potential buyers to a location, such as proximity to employment opportunities and flourishing economies, transport accessibility and connectivity, good local amenities and public services, quality of life, and so on.³⁰

²⁵ Lords Select Committee (2016), 'Short-sighted Government housing policy will not meet objectives', 19th February

www.parliament.uk/business/committees/committees-a-z/lords-select/built-environment/news-parliament-2015/built-environment-report-published/

²⁶ LGA (2016), Building our homes, communities and future: The LGA housing commission final report, www.local.gov.uk/housing/-/journal_content/56/10180/7570944/ARTICLE

²⁷ McCann, P. (2016), The UK Regional-National Economic Problem: Geography, globalisation and governance, Routledge: London.

²⁸ TWRI (2016), Housing Deprivation from the Index of Deprivation 2015, TWRI: Newcastle upon Tyne.

²⁹ Campaign to Protect Rural England (2016), On Solid Ground, Encouraging landowners to invest in rural affordable housing, CPRE: London.

³⁰ Pendlebury, D. (2015), 'What critics of planning should understand about solving the housing crisis', RTPI blog, www.rtpi.org.uk/briefing-room/rtpi-blog/what-critics-of-planning-should-understand-about-solving-the-housing-crisis/

6. More planning permissions do not necessarily mean more housing

According to the latest available figures covering (July-September 2016) district level planning authorities in England:

- granted 101,800 planning permissions, up three per cent from the same quarter in 2015;
- decided 85 per cent of major applications within 13 weeks or the agreed time, up from 80 per cent a year earlier;
- granted 12,900 residential applications, up six per cent on a year earlier.³¹

Further, in the year ending September 2016, district level planning authorities:

- granted 381,300 planning permissions, up four per cent from the figure for the year ending September 2015; and
- granted 48,300 planning permissions on residential developments: 6,200 for major developments and 42,100 for minors, up on the year ending September 2015 by six per cent and four per cent respectively.

Given this, why have there not been directly corresponding increases in development?³²

There has been considerable debate regarding the relationship between planning permissions and “housing completions”, including allegations of developers engaging in “land banking”. Recent analysis suggests that these allegations are misplaced, given the costs and risks involved in land promotion, construction and sales, and that policy should focus on increasing the supply of land, increased resources for local planning department (see further below), and proactive measures to reduce barriers to development.³³

This said, developers may indeed be reluctant to build too many in one area at any one time for fear of lowering sale prices or even having houses stand empty (this also relates to the availability of finance for house buyers and the actual scale of demand on an annual basis). This is perfectly understandable given that private developers are businesses, which need to cover the component costs of building, including bank finance, labour and material costs, CIL and S106 contributions and the costs of land purchase, among other elements.

Further, it should be noted that “outline” planning permission may not equate to a fully deliverable planning permission ready for development, particularly if pre-commencement conditions (requiring a local authority to agree details of the scheme before construction) haven’t been discharged (signed-off). Again, under-resourcing of local planning authorities can be a significant issue here, exacerbated by a government performance regime that emphasises limited measures of performance such as time from application to formal decision.

All of this supports the point however that the issue of housing supply (let alone housing affordability) is far more complex than the anti-planning argument suggests.

³¹ National Statistics (2016), Planning Applications in England: July to September 2016, www.gov.uk/government/statistics/planning-applications-in-england-july-to-september-2016

³² For example, in 2015 there were 260,000 planning permissions granted for new homes granted in England but “net completions” amounted to 189,650. Source: DCLG Live Tables.

³³ Nathaniel Lichfield & Partners (2017), Stock and Flow, Planning Permissions and Housing Output, NLP: London.

7. There is a lack of diversity in the development sector

House building is prone to market shocks and with every period of rapid house price growth, housing supply has only responded slowly and then declined rapidly when house prices have fallen. The vulnerability of housebuilding to economic cycles is exacerbated by the fact that it occurs at the intersection between three markets that are complex and problematic in and of themselves: land; construction; and home sales. These interactions currently create a system that consistently delivers too few homes, of variable quality, at very high costs.³⁴

The financial model for the largest developers allows them to forecast 20 per cent profit margins from new developments, in the interests of shareholders and also the banks providing the financing to developers' operations. The very ability of developers to include such significant profit margins within their viability calculations suggests a market that exhibits considerable oligopolistic features.

This is not to criticise the practices of the companies themselves – they are responding in a rational way to their economic and business environment. However, the fact that the public good is at the mercy of the business model of private developers is a clear example of policy failure.

8. SMEs in particular face barriers in providing more housing

Other countries, such as Germany, have higher rates of housebuilding, a much less volatile housing market, and a larger private rented sector than the UK. One reason for this is the greater diversity of suppliers in their development markets.³⁵

Why is the UK market comparatively oligopolistic? Since the downturns in 2007/2008 small and medium enterprises (SMEs) have been notably absent from the house building sector, with the result that 70 per cent of all private sector housing output is now being produced by the largest house builders.³⁶ The biggest barriers preventing SME building firms from expanding according to a recent survey are: obtaining planning permission; obtaining development finance; availability and cost of land; and skills and labour shortages.³⁷

9. We use housing stock inefficiently

Despite extensive media coverage the narrative of shortage of supply leading to spiralling prices is not without its challengers. There are those who argue that if the UK's housing market was more efficient in its use of existing stock, it would not be in crisis. According to this argument the country has more than enough stock to house all of its inhabitants comfortably. In 2011 in England and Wales, 66 million bedrooms served a population of 55 million. The problem therefore lies in the inequitable and inefficient ownership and use of Britain's housing stock.³⁸

³⁴ Shelter and KPMG (2016), *Building the Homes We Need: A Programme for the 2015 Government*, Shelter/KPMG: London.

³⁵ Davies, B., Turner, E., Marquardt, S., and Snelling, C. (2016), *German Model Homes? A comparison of the UK and German housing markets*, IPPR: London.

³⁶ Griffith, M., and Jefferys, P. (2013), *Solutions for the Housing Shortage, How to build the 250,000 homes we need each year*, Shelter: London.

³⁷ NHBC Foundation (2014), *Improving the Prospects for Small House Builders and Developers*, NHBC Foundation: Milton Keynes.

³⁸ Dorling, D. (2015), *All That is Solid, How the great housing disaster defines our times, and what we can do about it*, Penguin: London.

Whether or not one subscribes to this point of view, the figures clearly indicate that there is a spatial dimension to housing that is often overlooked: nationally there may be plenty of homes – the problem is that there is a shortage where they are most needed, and in areas where they are plentiful their condition can be poor and/or areas can lack the jobs, services and amenities which make them attractive.

10. Local (planning) authorities are severely under-resourced

Further, despite their best efforts, planners are struggling in the context of cuts to local government budgets.³⁹ According to one survey, nearly 90 per cent of local authorities believe the UK Government's housing targets (to build a million homes by 2020) are impossible to meet as a result of a lack of planning resources.⁴⁰

Housing and planning have suffered disproportionately in terms of cuts to public services and this has impacted on the ability of local authorities to deliver housing. RTPI research undertaken in the North West region of England in 2015 found that average cuts in planning staff of more than 30 per cent in local planning authorities over the past five years is now undermining economic recovery across the region.⁴¹ In many cases, local planning services are surviving on the goodwill and professional integrity of their officers, but this may not be sustainable in the longer term. The region's future ability to deliver homes, schools, hospitals and other major infrastructure is being put at risk.

This is just one regional instance of a wider national pattern. Data from across the country shows that planning has suffered disproportionate cuts when compared to other public services, with some high cut local planning authorities seeing funding reductions of more than 55 per cent.

While it is understandable that local authorities want to protect frontline services, the "choice" to sacrifice planning may in some places be based on quite a narrow understanding of what planning is for. It is easy to cut something that is portrayed as a brake on development, but if there were a wider appreciation of the socio-economic benefits planning can deliver, perhaps planning would not have been cut so excessively.

At the national level government spending has been steadily switched from investing in new homes to subsidising housing costs via housing benefit. Central government now spends more than 20 times as much on housing benefit as on affordable house building grants.⁴² Therefore while the taxpayer is spending money on housing it is not resulting in the production of tangible assets (again, this is linked to the lack of housing provided by local authorities).

Lastly, local government requires much greater certainty about its financing in the medium and long-term (for example, around City Deals, business rate retention, and the funding of adult social care), without which it is very difficult for local authorities to plan strategically.

³⁹ RTPI/Arup (2015), Investing in Delivery: How we can respond to the pressures on local authority planning, RTPI/Arup: London.

⁴⁰ Federation of Master Builders/Local Government Information Unit (2016), Small is Beautiful: Delivering homes through small sites, Federation of Master Builders/Local Government Information Unit: London.

⁴¹ RTPI/Arup (2015), Investing in Delivery: How we can respond to the pressures on local authority planning, RTPI/Arup: London.

⁴² Ibid.

What happens when planning is removed?

Finally, the experiences of countries that have pursued widespread deregulation of planning as a means to achieving housing affordability illustrate the point that a mass granting of planning permissions is not sufficient to deal with an affordability crisis of the kind we are experiencing in the UK.

During the 2000s, Ireland, the US, and Spain, operating with few planning restrictions, all built vast numbers of houses, yet have ended up with a housing crisis alongside an excess of housing. This is because in the lead up to the collapse of the housing market houses were built in areas which provided developers with the highest financial gains rather than where people actually wanted to live.

To avoid similar outcomes, we need to make decisions around location, design, quality, and tenure type *alongside* decisions about increasing supply. In short, we need to plan for housing in the context of creating great places where people want to live.

Recent developments in housing policy

This paper is published at the time of the UK Government's White Paper on housing, which is likely to include major announcements which could set the agenda for housing policy in England for the next few years.

Already however, and somewhat positively, under the new government led by Theresa May there has been an apparent shift in emphasis from prioritising home ownership to building more housing (including housing of different tenures). Prior to this, the UK Government's housing agenda appeared very much focused on boosting home ownership through initiatives such as Right to Buy and other schemes.

The Secretary of State for Communities Sajid Javid, has recognised the significance of housing to economic and social inequality, and has squarely recognised the need to build more homes as the key challenge in addressing the UK's housing affordability crisis. Though not new in itself, the increased focus on supply is critical – without falling into the “easy trap” of blaming planning for everything.

Recent announcements have included a £7 billion “funding pot” (including £1.4 billion announced in the November 2016 Autumn Statement for 40,000 new affordable homes). This funding is intended to support the delivery of more shared ownership homes, more Rent to Buy homes (where first-time buyers are helped to save for a deposit) and more Affordable Rent homes, to help those in the private rented sector with housing costs.

The Autumn Statement also included the announcement of a new Housing Infrastructure Fund of £2.3 billion by 2020-21, funded by the National Productivity Investment Fund (NPIF) and allocated to local government on a competitive basis. The fund will provide infrastructure targeted at unlocking new private house building in the areas where housing need is greatest and is intended to deliver 100,000 new homes. The Government has also said it will invest £1.7 billion by 2020-21 through the NPIF to speed up house building on public sector land in England through partnerships with private sector developers. The Government has claimed that this additional capital spending amounts to a doubling of the housing budget in real terms over this Parliament.

Some aspects of the previous administration's interventions have continued, for example DCLG has also announced 30 local authority-led partnerships for the development of starter homes, which will be available to younger buyers at 20 per cent below “market value”. The locations of 14 garden villages and three more garden towns have also been confirmed.

A new approach to housing policy

As argued here, housing policy in England in particular has struggled to improve housing affordability (and sometimes contributed to housing *unaffordability*) because it has often neglected the full range of factors that have contributed to under-supply and rising costs. The emphasis on “planning as the problem” has especially skewed housing and planning policy, offering false hopes that deregulating planning would automatically free-up the market to meet demand and lower (or manage) prices.

Demonstrably, this approach hasn't worked. What then should the better starting-points for housing policy, especially for better affordability? We suggest four points:

1. **As stated, we need policy to be based on an acknowledgement of the multifaceted nature of the problems in housing.** The RTPI's wide-ranging recommendations for housing policy are summarised further below.
2. **Rather than focussing narrowly on housing numbers, we need to start with what we really want to achieve: better places and better communities.**
3. **Further to this, we need to recognise and invest in the positive role that planning can play in delivering better housing affordability, and more broadly, better places.** This has been noticeably lacking in successive governments' approach to housing policy.
4. **Fundamentally, we need to rethink how we develop policy, in ways which are less theoretical and more grounded in practice and what works locally.** This is what the RTPI's Better Planning programme is about.

Better places and better communities

To start with the second issue, in its narrow focus on housing numbers, policy has typically ignored what people want from where they live – which should surely be the starting-point for housing and planning policy. As noted previously, an alternative way of looking at the housing crisis is that what we lack is not so much new housing but rather more housing in more good places.

The RTPI has conducted public opinion research on what the UK public thinks of their communities and what they think makes for a 'successful place'. The priorities from the public's point of view are captured in the infographic below.

What people want from their communities⁴³



⁴³ Based on RTPI Centenary Survey results, as included in RTPI (2014), *Creating Economically Successful Places*, RTPI: London.

As a result, this RTPI programme of work will use a broad definition of “housing affordability” which encompasses not only house prices but also transport accessibility, local economic opportunities, and access to public services (essentially all of the things that good planning can deliver alongside housing).

Recognising the positive role of planning

From this, we can recognise that planning has a critical role to play in ensuring better places which provide what people want. How can planning play a positive role in development, including housing?

As the RTPI has been demonstrating through its programme of work on the value of planning, planning is critical to providing clarity and confidence for investments by markets to deliver good development.⁴⁴ Some of the ways in which planning can provide this stronger framework for development are captured in the chart below.⁴⁵

The benefits of better planning

PROJECT BENEFITS: PROCESSES		PROJECT BENEFITS: OUTCOMES	
Signalling of expectations to developers	Confidence to invest in property	Capturing value uplifts	Control of harmful uses
Democratic and community engagement		Co-ordination between developments	Connection with strategies
Tackling ownership constraints	Tackling physical constraints		
SPATIAL BENEFITS: PROCESSES		SPATIAL BENEFITS: OUTCOMES	
Integration of land use and infrastructure	Provision of public goods	Efficient organisation of economy	Stable environment for investment
Democratic and community engagement		Better quality places	New markets in regeneration areas
		Equitable organisation of economy	

Contrary to the anti-planning argument, many countries that exhibit a high degree of elasticity (responsiveness to demand) with respect to house prices have strong planning systems and high taxes on undeveloped land. In Germany and France for example, there are strong planning institutions and local authorities can undertake upfront land assembly and infrastructure provision. This means planning is able to shape the form and structure of housing development, and encourage a density, quality, and tenure which meets the social and economic aspirations of the people.⁴⁶

⁴⁴ Adams, D., O’Sullivan, M., Inch, A., Tait, M., Watkins, C., and Harris, M. (2016), *Delivering the Value of Planning*, RTPI: London.

⁴⁵ Ibid.

⁴⁶ Lord, A., O’Brien, P., Sykes, O., and Sturzaker, J. (2015), *Planning as 'Market Maker': How planning is used to stimulate development in Germany, France and the Netherlands*, RTPI: London.

This is not to conclude that the UK should therefore look to imitate the planning regimes in other countries, but there are clearly lessons of to be learned from different policies and practice internationally.

The lack of strategic planning in England also contributes to community resistance to new development. In spite of the fact that housing is a strategic issue that spills across administrative boundaries, city and town leaders have few incentives or tools to build consensus, and infrastructure provision remains largely independent from housing.⁴⁷ This leads to local opposition to housebuilding as communities justifiably conclude that additional houses will lead to increased pressure on doctors' surgeries, schools, roads and rail services.

Unfortunately, thirty years of almost continual changes in policy and regulation, and the failure to support planning (including strategic planning), has left the UK incapable of consistently delivering good places. This needs to change.

A broader approach to housing policy

The RTPI has developed a number of policies that address the complex set of issues around housing, with an emphasis on improving places and the role that planning can play in this.

In November 2016, the RTPI launched its '16 Ways in 16 Days' campaign which outlined the Institute's recommendations for tackling the housing crisis in England. The RTPI's 16-point action plan is intended to help the UK Government achieve its ambitious house building targets.

The plan is based on the view that the major house builders alone cannot be expected to deliver all the homes we need and that there is no "magic bullet" to England's housing crisis. Rather, as suggested, there are a complex range of interdependencies which professional planners are best placed to navigate, with government support, to create places and homes that people want to live in, in the volumes the country needs. This comprehensive package of suggestions could inform a plan for homes for all.

The RTPI's recommendations for housing in England

In summary, the 16 proposals are:

1. Offer ready permitted sites to SME builders

Offer ready permitted sites to SME builders and support them in the UK Government's new industrial strategy.⁴⁸ We need to get them building again.

2. Keep housing associations building

Keep housing associations building. Housing associations helped to get the industry through previous downturns and keep us building homes; they need to be supported to do so again.⁴⁹

3. Let local authorities charge the planning fees they need

Let local authorities charge the planning fees they need to properly resource their planning service.⁵⁰ Developers will pay for an efficient and responsive service. Planning departments have suffered greater cuts than other local authority functions, it has to stop and be reversed.

⁴⁷ Ibid.

⁴⁸ See RTPI (2013), *Delivering Large Scale Housing: Unlocking schemes and sites to help meet the UK's housing needs*, London: RTPI.

⁴⁹ Op cit.

⁵⁰ See RTPI/Arup (2015), *Investing in Delivery: How we can respond to the pressures on local authority planning*, RTPI/Arup: London.

4. Require a city region wanting a devolution deal to have a plan for housing

Require a city region wanting a devolution deal with government on jobs infrastructure and other funding to have a plan to deliver the supporting homes required by those jobs.⁵¹ Money talks.

5. Make the Land Registry an open data organisation

Make the Land Registry an open data organisation.⁵² In order to strategically plan for houses we need data on who owns the land and where.

6. Create a fiscal regime that encourages build to rent

Create a fiscal regime that encourages build to rent. England, and the UK more broadly, is an outlier as a nation in failing to supply purpose-built properties to rent with longer-term security.

7. Government must provide stronger direction on suitable land for housing

Think widely and carefully about where we build new homes. Brownfield land should be made to achieve its full potential. Involve communities in places which are undergoing regeneration. Some housing may need to go on greenfield – so long as planned properly. Green belts must work well for everyone in society, across wider sub regions.

8. Encourage innovation in climate change mitigation

Encourage innovation in climate change mitigation and energy efficiency in the industrial strategy.⁵³ We need mechanisms to improve the energy efficiency of the existing housing stock, and policies which ensure that new homes are compliant with our carbon reduction targets. This should form a core part of the industrial strategy.

9. Make more of the existing housing stock

Make more of the existing housing stock,⁵⁴ pay attention to how the rental market and structure, and how taxation and housing benefit policy drives behaviours and the market. We must recognise the true value of planning is in the long-term creation of great places, increasing certainty for everyone, and market shaping so the market works more effectively for all.

10. Find innovative ways of funding affordable housing

Find innovative ways of funding the affordable housing elements of consented developments to keep them delivering. We must learn the lessons from the 2008 financial crisis and cannot let the challenges that major house builders will face in a downturn result in whole developments being stalled. Too much of planners', developers' and councillors' time was wasted during the post-crash recession arguing over which element of a permitted housing scheme was cut to make it stack up financially. Almost a decade on the housing crisis has deepened. We must not let this happen again.

⁵¹ RTPI (2015), Strategic Planning: Effective cooperation for planning across boundaries, RTPI: London.

⁵² RTPI (2016), Response to Consultation on Moving Land Registry Operations to the Private Sector, RTPI: London.

⁵³ Climate change will be the focus of a forthcoming RTPI Better Planning project.

⁵⁴ RTPI (2013), Delivering Large Scale Housing: Unlocking schemes and sites to help meet the UK's housing needs, London: RTPI.

11. Invest in the next generation of those who will make housing happen

Invest in the next generation of those who will make the housing happen.⁵⁵ Government has backed the RTPI's planners' bursary scheme; we need to make working in the built and natural environment open and inspiring to all.

12. Get the public sector building

Get the public sector building. Local authority-commissioned home building has to be part of the solution. The Local Government Association and the Federation of Master Builders have stepped up already and said they are up for it. Cleverly used it can create markets and support private sector provision. It's not "either/or".

13. Align transport infrastructure and housing delivery more effectively

Align transport infrastructure and housing delivery more effectively.⁵⁶ Start by assessing infrastructure projects for the development land they unlock, not just their impact on speed and congestion. Longer-term proper spatial planning is a key tool.

14. Allow planning inspectors to find local plans partially sound

Allow planning inspectors to find local plans partially sound.⁵⁷ Don't let problems with one policy area, say, to hold up a local plan having the weight it needs in steering where homes go.

15. Encourage local authorities to be proactive in land assembly

Encourage local authorities to be proactive in land assembly to unblock land for homes as well as wider socially and economically beneficial development.⁵⁸

16. Intervene in the land market and capture the benefits from transport investment

In the longer-term we need to explore the operation of the land market, an issue explored by the House of Lords in their report on the economics of housing. We need to better capture some of the increase in land value particularly from public investment so we can fund affordable housing and the infrastructure good places and homes need.⁵⁹

The current system in England results in too much of planners' time being spent arguing the theoretical number of "housing units" a local authority area needs. The focus must shift to delivering the homes the country needs to include different tenures and in ensuring appropriate places to build them on.

You can follow the campaign on Twitter at #RTPI16ways

⁵⁵ RTPI/Arup (2015), Investing in Delivery: How we can respond to the pressures on local authority planning, RTPI/Arup: London.

⁵⁶ RTPI (2014), Transport Infrastructure Investment: Capturing the wider benefits of investment in transport infrastructure, RTPI: London.

⁵⁷ RTPI (2015), Royal Town Planning Institute: Response to Local Plans Expert Panel October 2015, RTPI: London.

⁵⁸ RTPI/Arup (2015), Investing in Delivery: How we can respond to the pressures on local authority planning, RTPI/Arup: London.

⁵⁹ RTPI (2016), Housing Commission to Explore New Routes to Housebuilding, RTPI Evidence to LGA Housing Commission, RTPI: London.

Learning from practice for better policy

In order to develop a better, more comprehensive approach to housing, we also need to reconsider how we make policy. From the RTPI's perspective, this means thinking more strategically (including longer-term), in an integrated way between different policies, and spatially (with more regard to places and space).⁶⁰

Perhaps most crucially, as we have argued, much housing policy has failed to improve housing affordability because it has been informed by a largely theoretical understanding of what the problem is (especially its focus on deregulating planning).

Better Planning for Housing Affordability

Instead, our work on Better Planning will offer positive, practical, and placed-based solutions to housing affordability, based on examples of what has been achieved locally in the UK and internationally.

This will include case studies of housing affordability, and practice advice and information for planners and others.

The RTPI is also engaged in four research projects as part of its work on housing affordability:

- **Local authority direct provision of housing in England**

This research project is jointly supported by the National Planning Forum (NPF) and the RTPI, and is investigating how local authorities can deliver more housing, with particular reference to the role of planning.

- **Research into the delivery and affordability of housing**

The RTPI South West region has commissioned research into the delivery and affordability of housing in the region, through an examination and comparison of recent housing developments.

- **Planning permission and development finance**

The RTPI is commissioning research on the implications for housing supply of introducing certainty into the process by allowing local authorities to grant planning permission on land that needs development when drawing up local plans, thus eliminating the need for developers to apply for permission.

- **“The Housing Challenge”, Crook Public Service Fellowship, University of Sheffield**

There is both a significant shortfall in housing supply and a squeeze on public finances, while huge amounts of capital continue to flow into existing land assets (for example, the windfall in value which goes directly to private landowners when public investment in infrastructure is made on or near a piece of land). This project will investigate whether redirecting some of this windfall into infrastructure investment through a variety of mechanisms of land value capture represents a feasible solution to the shortfall in housing supply.

⁶⁰ RTPI (2014), Planning Horizons, Thinking Spatially, RTPI: London.



Contributing to the Better Planning programme

The Institute is looking for RTPI members to contribute to this Better Planning project in two main ways:

- Identify good examples of planning for housing from their regions. This will go towards building up a database of good practice. This will help us to demonstrate how important planning is to housing affordability, and to share good practice between RTPI members.
- Join us in helping to promote what planning can achieve, for example through presentations to RTPI members and others.

If you would like to know more about this work, please contact:

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This paper was written by Joseph Kilroy, Policy Officer, RTPI.



Rather than focussing narrowly on housing numbers, we need to start with what we really want to achieve: better places and better communities

For more on the Better Planning programme see:
[**www.rtpi.org.uk/betterplanning**](http://www.rtpi.org.uk/betterplanning)