

The Chartered Institute of Building

Evidence for the

Housing, Communities and Local Government Committee

Inquiry into

The future of the planning system in England

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Introduction

The CIOB is the world's largest and professional body for construction management and leadership. We have a Royal Charter to promote the science and practice of building and construction for the benefit of society, and we have been doing that since 1834.

Our members work worldwide in the development, conservation and improvement of the built environment. We accredit university degrees, educational courses and training in universities and colleges. Our professional and vocational qualifications are a mark of the highest levels of competence and professionalism, providing assurance to clients and other professionals procuring built assets. The CIOB has a dedicated policy and research function whose expertise, along with that of our members, has been drawn on in the preparation of this response.

Response to the Terms of Reference

1. Is the current planning system working as it should do? What changes might need to be made? Are the Government's proposals the right approach?

We commend the emphasis placed on quality and design outcomes in housing. In recent years the national housing debate has focused on housing supply at the cost of a sensible consideration of the quality and location of the final product. We welcome the efforts outlined within the White Paper which seek to reverse this trend.

However, we are concerned that the diagnosis of the barriers to housing delivery is overly simplistic, and places too much emphasis on the planning system. While we welcome the willingness to ensure the planning process achieves optimal outcomes, a lot of the issues the paper raises, including build-out rate, quality, design, beauty, public participation, and infrastructure provision, go far beyond the planning system and what can be achieved by changing it. There are a range of additional areas that need to be addressed if the housing development process is to be reformed to achieve the Government's aims. These areas include: over-reliance on volume housebuilders, the land market, direct public delivery of housing, retrofitting existing stock, skills in the construction sector, the resourcing of local planning authorities, and appropriate governance arrangements.

We urge the Committee to see this latest overhaul of the planning system in historical context, and to manage the Government's expectations as to what can be achieved from it accordingly. There are many reasons why the country has been experiencing poor housing outcomes in recent years. Despite that, successive governments have pursued "planning reform" as the silver bullet solution. This preoccupation with planning has overlooked the range of other factors involved, and therefore the full range of solutions that can be brought to bear on the problem.¹ The White Paper continues this trend and we are concerned that by ignoring the multifaceted nature of the housing problem, it will simply perpetuate the status quo.

We believe a better approach to housing delivery should be based on:

- an acknowledgement of the multifaceted nature of the problems in housing, which a fixation on planning reform has been historically proven to neglect;
- rethinking how we develop policy, in ways which are less grounded in classical economic theory and more grounded in practice, based on what actually works on the ground.

The White Paper talks about incentivising 'attractive and popular development, as well as helping to relieve pressure on planning authorities when assessing proposals.' This assumes that the block on

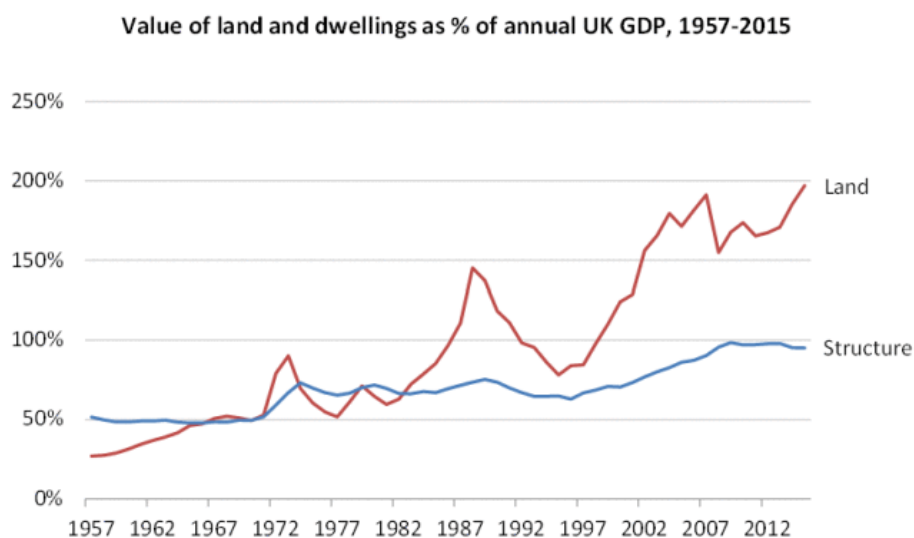
¹ See <https://www.rtpi.org.uk/media/1926/betterplanninghousingaffordability-positionpaper2017.pdf>

quality is further downstream in the housebuilding process than it really is. Builders of all sorts – SMEs and larger developers – are clear that the most significant constraint on design and quality is not the absence of local design codes, but the high cost of land.² High land prices mean costs must be driven down in the latter stages of the housebuilding process in order to fund the initial plot purchase. This results in poor quality housing. We therefore strongly advise a realigning of these incentives, rather than focusing only on incentivising quality later in the development process through measures such as design codes.

The high cost of land means housebuilders are required to dedicate a disproportionate amount of their budget for a given housing project to fund the initial land purchase in a highly competitive market. In order to fund this purchase and see off intense competition, developers must drive down costs elsewhere in the process, typically on design and quality. This negatively impacts the final product. In the current land market, a significant proportion of value that could be dedicated to creating beautiful housing flows to the landowner when a plot of land is purchased.

This process, known as the residual method of valuation for land, bakes in poor quality outcomes for housing. The equation for the residual method of valuation in its simplest form is as follows:

$$\text{Land/Property} = \text{Gross Development Value} - (\text{Construction} + \text{Fees} + \text{Profit}).^3$$



Source: James Gleeson Wordpress.com

If land were available at a more reasonable rate – for example, existing use value plus a 25% premium – developers would be incentivised to compete on the construction, design and quality of the final product, rather than their ability to fund the initial land purchase.

From a Local Authority housebuilding perspective, the problem lies in the 1961 Land Compensation Act, which determines that the price paid for land must reflect any prospective use to which it could be put, colloquially known as hope value. This leads to a significant increase in the price of land intended for housing and limits the ability for strategic land assembly and management. If land prices were capped at 125% of existing use value, this would allow money spent on land assembly to be re-routed to quality and design of the final product.

² The National Economic and Social Council, [Urban Development Land, Housing and Infrastructure](#). April 2018

³ See Investment Property, [Residual Method of Valuation for Land, Property & Development Appraisals](#).

A more proactive approach to the land market could capture the gains from development for the benefit of the community, and harness competitive forces, which are currently focused on the land market, to delivering better quality and design for consumers. This means shifting the focus of market competition in the development process downstream to the construction phase and away from the land purchase phase.⁴ It also means shifting policy intervention in the other direction, away from the construction phase upstream to the land purchase phase.

Furthermore, if the intention is to grant additional duties and responsibilities to Local Planning Authorities, this policy needs to be reflected in a comprehensive resourcing plan for same. Planning has been the most cut function of local government in the last decade.⁵ It is naive to expect a function that has been financially decimated to carry out its current responsibilities effectively, let alone the additional roles proposed in the White Paper. Our members are clear that it is lack of resourcing rather than work ethic or skills at Local Planning Authority level that often acts as a delay in the planning process. Without a clear resourcing plan, the White Paper will exacerbate this situation.

2. In seeking to build 300,000 homes a year, is the greatest obstacle the planning system or the subsequent build-out of properties with permission?

We respectfully disagree with the either/or premise of the question. As per our response to Question 1, reducing housing to single issue, simplistic explanations risks overlooking the range of factors involved in the problem, and missing the opportunity to bring effective solutions to bear on it.

This question raises the wider issue of the structure of the housing delivery system, the dominance of volume housebuilders, and the accompanying negative impact on build out rates. Volume housebuilders are crucial to a successful housing delivery system and will continue to provide a significant proportion of the new homes in England. However, in recent decades they have come to dominate housing supply output as SMEs have struggled to recover from the financial crisis, and the state has largely withdrawn from housebuilding.⁶ This over-reliance means that the private development finance model has a significant impact on national housing supply. The absorption rate in particular, whereby houses are built out only at the rate at which the market can absorb them, is acting as a brake on build out rates nationally. The staggered release of new build homes to prevent prices being driven down in the local market has seen build out rates drop despite a very sharp increase in volume builders' levels of profits.⁷ The oligopolistic features of the housing market and the accompanying impact of the absorption rate on housing delivery is one of the fundamental drivers of the slow rate of build out to which the question refers.

Given the negative impact that an over-reliance on volume housebuilders has on build out rates, affordability and supply, we have encouraged the Government to consider direct delivery measures across all tenures of housing either at a central, regional or local government level. A programme of public housebuilding would lessen the constraining impact of the absorption rate on build out rates, as directly delivered housing would not be subject to shareholder interest, profit margins or viability constraints.

⁴ KPMG and Shelter, [Building the homes we need: A programme for the 2015 Government](#), January 2015

⁵ Royal Town Planning Institute (RTPI), [Resourcing Public Planning](#), July 2019

⁶ Sheffield Hallam University, [Profits before Volume? Major housebuilders and the crisis of housing supply](#), October 2016

⁷ *ibid*

In addition to circumventing the build out constraints associated with the absorption rate and providing much needed social and affordable housing, a direct delivery programme of housebuilding would provide a clear pipeline of building activity, on which the construction sector thrives. This would be most welcome in the context of the uncertainty wrought by Covid-19. Furthermore, in the context of quality and design, direct delivery of housing provides the opportunity for Government to create a positive feedback loop. This is observed in Denmark, where the high standard of publicly delivered housing provides a high-quality baseline, which private developers are incentivised to outperform when they are building housing products for sale on the open market.⁸

We recommend including a variety of development types by different builders which allow more phases to come forward together', as the homogeneity of the types and tenures of the homes on offer on many sites, and the limits on the rate at which the market will absorb such homogenous products, is another fundamental driver of the slow rate of build out.⁹

3. How can the planning system ensure that buildings are beautiful and fit for purpose?

The planning system alone cannot ensure this. The structure of the land market coupled with the dynamics of development finance – as discussed in Question 2 – dictate the quality of buildings. The White Paper presents the situation as though there are a large cohort of developers with beautiful housing portfolios waiting to be delivered, but the planning system is preventing them from coming forward. This is not the case.

As per Question 2, we need to reform the land market to allow value flow away from land purchases towards design and quality in buildings.

4. What approach should be used to determine the housing need and requirement of a local authority?

This question raises the important issue of governance. Throughout the White Paper there runs a worrying theme of centralisation, indicating that a range of policies – development management and housing need assessment, for example – will revert to Whitehall, despite their impact being primarily local. This is very concerning.

Each local area has different character, constraints and opportunities, and appropriate planning governance arrangements can facilitate their flourishing. A successful decade of decentralisation, and the positive, cross-party work that has been done on initiatives such as City Deals, the Northern Powerhouse and the Midlands Engine, illustrates what can be achieved when governance aligns with the spatial impact of policy making. The regionally balanced governance arrangements that have grown from these initiatives have been a real success story and the White Paper is well timed to build on this momentum, however it does not suggest that the Government is prepared to do so.

As per the principle of subsidiarity, it is our view that decision making should be taken at the most appropriate level of governance, which for development management and housing need assessment is the local area directly affected by same. To ensure better, more coordinated and coherent decisions for places, we need to ensure that the levels at which decisions are made align with their impact, and that responsibility and resources for places also align.

Many of the issues raised by the White Paper – housing, transport, infrastructure – are strategic planning issues that spill across administrative boundaries. While the White Paper is clear on the role

⁸ S.Nordregio, [Building Affordable Homes: Challenges and Solutions in the Nordic Region](#), February 2020

⁹ [Independent Review of Build Out Final Report](#), Rt Hon Sir Oliver Letwin MP, October 2018

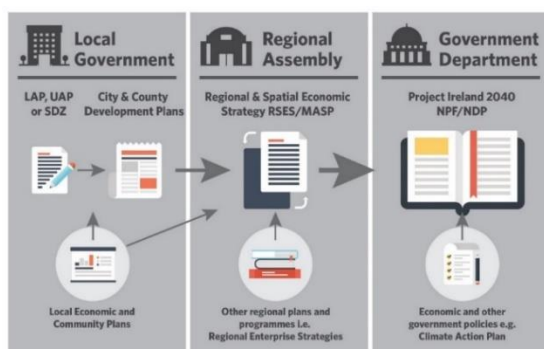
of local and national government in the new planning system, there is little attention given to regional governance arrangements. Housing occurs in a web of overlapping markets or functional economic areas linked to different activities. Local authority areas are used as proxies for functional areas, but they have serious shortcomings for spatial economic analysis and the implementation of local policies.

The recent success of regional initiatives such as the Northern Powerhouse should give pause for thought and suggests that regional governance structures can, once again, be successful. What they require is buy in, resourcing, and a clear remit. With the growth in housing and infrastructure that the White Paper promises, serious consideration needs to be given the putting in place regional governance arrangements to reflect the strategic, cross-boundary impact of these issues.

Case Study: Ireland's regional assemblies

Ireland's Regional Authorities have a range of powers in relation to spatial planning and economic development. They were streamlined into three Regional Assemblies in 2015, representing the Northern and Western, Eastern and Midlands, and the Southern Regions. The Regional Assemblies source European funding for Regional Programmes, they promote coordinated public services, they monitor proposals which may impact on their areas, and they advise public bodies of the regional implications of their policies and plans.

Chief among their responsibilities is the preparation of a Regional Spatial and Economic Strategy (RSES). The RSES is a link between the forthcoming National Planning Framework, the City and County Development Plans and the Local Economic and Community Plans. Through this process the Assemblies are centrally involved in the formulation of policies geared towards achieving a greater dispersal of economic growth and development throughout each of their regions. To ensure that all local authority development plans are consistent with the RSES and relevant national policy, draft plans or proposed variations to development plans are referred by the Local Authorities to the Regional Assemblies. The Assemblies are prescribed bodies under the Planning Acts. This means that they must be consulted on certain strategic infrastructural proposals. When assessing any such proposals the Assemblies use the general welfare, strategic planning and sustainable development requirements of their regions as criteria. In practise this means they consider the physical, economic, social, demographic, infrastructural and environmental situation of the region. Under the Act the Assembly must seek to protect or improve the region's environment, its heritage, amenity and cultural resources.¹⁰



Source: Eastern and Midland Regional Assembly

¹⁰ See European Commission, [Regional Spatial and Economic Strategy \(RSES\) – Ireland](#), 2018

5. What is the best approach to ensure public engagement in the planning system? What role should modern technology and data play in this?

We welcome support for local planning authorities to use digital tools to support a new civic engagement process for Local Plans and decision-making. More public participation in the plan making stage of the process is welcome as it will allow communities a say in the strategic direction their locality takes. However, public participation is not a zero-sum game. Consultation at the plan making stage need not come at the cost of public participation later in the process, when an application is made and the detail of what is actually being delivered becomes clear.

The White Paper rightly points out the role digital technology can play in making public consultation more efficient.¹¹ Digital technology should complement existing democratic processes rather than usher in an era of fewer opportunities for communities to make observations on new development. A strategic approach to digital engagement will itself ensure time savings, thereby avoiding the need to bypass local decision making later in the planning process.

Furthermore, if the intention is to embrace the use of digital tools to enhance public participation, this will need to be supported by resourcing at the Local Authority (LA) level. Planning has been the most cut function of local government in the last decade.¹² Accordingly, any additional duties for Local Planning Authorities (LPA) will need to be accompanied by a comprehensive resourcing strategy, specifically – in the context of this proposal – dedicated community liaison officers.

It will also be important to ensure a ‘blended learning’ style approach to consultation as a significant proportion of the stakeholders impacted by planning decisions are not digitally literate.¹³ These people need to be accommodated, and the blended learning approach that many schools, universities, and colleges have successfully implemented provides a useful model in this context.¹⁴

Finally, in the interest of fairness and efficiency, the consultation process needs to operate with an appropriately wide conception of ‘the community’. The working assumption is that the community is existing property-owning residents. However, renters, future residents, students, and people who work in an area are also fundamental to the functioning of place and, as such, should be consulted in its future development.

6. How can the planning system ensure adequate and reasonable protection for areas and buildings of environmental, historical, and architectural importance?

N/A

7. What changes, if any, are needed to the green belt?

We respectfully disagree with the premise of the question. There is not one green belt, there are many green belts throughout the country serving different purposes. Unfortunately, the debate has – like a lot of planning issues – become overly simplified and filtered into a single question: ‘should we build in the green belt?’ The greenbelt serves a variety of different functions depending on the place in question. In some places it is a tool to prevent urban sprawl with limited amenity value in itself, in other areas it provides access to nature, and in some areas, it performs both functions. Any attempt to answer this question in a binary way overlooks the fundamentally regional nature of greenbelts.

¹¹ The [digital civics centre in the University of Newcastle](#) has produced some practical tools in this context

¹² See Royal Town Planning Institute (RTPI), [Resourcing Public Planning](#), July 2019

¹³ See Office for National Statistics (ONS), [Exploring the UK’s digital divide](#), March 2019

¹⁴ See Times Higher Education (THE), [UK universities favour blended learning approach for 2020-21](#), May 2020

We urge the Committee to avoid addressing the question of greenbelts as a national issue and, as per Question 4, allow decision making around greenbelts to be made locally.

- 8. What progress has been made since the Committee's 2018 report on capturing land value and how might the proposals improve outcomes? What further steps might also be needed?**

N/A