

Housebuilding market study

Planning working paper 15/11/23

██████████ response dated 05/12/23

Analysis of the GB planning system (Section 4)

Question 4.1

1. Do you agree that planning risk is a key issue for the planning system?
Yes, there are multiple factors and stakeholders involved in the planning process and the lack of clarity and consistency in decision making means that planning risk exists and is a key issue.
2. Do you agree with our analysis of the causes of the uncertainty in the planning system and how they contribute to underdelivery of housing?
Yes.
3. Are there any other factors that we should consider?
Uncertainty exists in the Scottish planning system in terms of how elements of NPF4 will be applied in practice. An example of this is whether development on prime agricultural land will be permitted in certain circumstances and if so, how will these be defined?
4. Do you consider there to be any significant difference in the level of planning uncertainty between England, Scotland and Wales?
We are only active in Scotland, so not in a position to comment.

Question 4.2

1. Do you agree that the current level planning, policy and regulatory costs could threaten the viability of development at some sites? To what extent do you think that this is currently happening? Are some sites and areas more at risk than others?
Yes. Costs associated with planning continue to rise as more and more information requires to be provided early in the process. This will inevitably stop progress on sites where there is a risk as to viability. These issues are more relevant to smaller sites, brought forward by SME developers, where there are not sufficient number of units to dilute these costs.
2. Do you agree with our analysis that shows the length and complexity of the planning system may contribute to underdelivery of housing?
Yes. The approval process is far too protracted.
3. Do you agree that we have identified the key causes of delays in the planning system? Are there any other factors that we should consider?
Yes, key causes of delays identified.
4. Do you consider there to be any significant difference between England, Scotland and Wales in: i) the extent to which planning policies and costs threaten the viability at some sites; and ii) the causes and extent of planning delays and their impact on delivery of housing?
We are only active in Scotland, so not in a position to comment.

Question 4.3

1. Do you agree with our analysis that in some cases local targets may not accurately reflect underlying housing need and the reasons for this? What impact do you consider this has on housing delivery?

Yes. We have experience of existing LDPs in some cases allocating sites in areas where there is a lack of demand. This restricts the ability for other sites, in locations where demand exists, from coming forward and being built out. These sites need to be excluded from the subsequent LDP, rather than continuing to be allocated, as has previously been the case.

2. Do you agree that in some the planning system lacks internal consistency within its objectives, meaning that LPAs may be insufficiently focused on meeting housing need?
Yes. There is an inconsistency in objectives between stakeholders. These include inputs from consultees and elected members.

3. Are there any other issues relating to targets, incentives or planning constraints that we should consider?

Proportionality of contributions to reflect the size of development. Smaller sites, typically constructed by SME's, incur proportionately greater costs through the planning process and flat rate contributions should be amended to reflect this.

4. Do you consider there to be any significant differences between England, Scotland and Wales in either how targets are set, the balance of incentives faced by LPAs and the extent of local planning constraints? If so, how do you think they impact housing delivery?
We are only active in Scotland, so not in a position to comment.

Question 4.4

1. Do you agree with our analysis of how the planning system may be having a disproportionate impact on SME housebuilders?

Yes.

2. Do you agree that we have identified the key issues faced by SMEs due to the planning system?

Yes.

3. Do you consider that the current planning system is incentivised to deliver housing on larger sites? If so, what are the implications of this for the housing delivery?

Yes. There is a continuing shift to the allocation of larger masterplan sites. These sites will often have related section 75 requirements for significant infrastructure, including new schools and facilities for developing communities. Developer involvement in these sites is typically larger developers who dominate the market, with opportunities for SME developers restricted due to the buyer power and economies of scale available to the larger developers. The current planning system also incentivises the development of larger sites due to the multitude of reasons outlined in this paper, from financial to time-related.

The implications for the industry are extremely concerning. Planning costs for SME's continue to spiral and without a major review and overhaul of the level of documentation required, the number of active SME applications will continue to decline.

There needs to be greater proportionality and recognition that the current structure needs to reflect the variety of differing site sizes that are required to meet the varying demands throughout local authorities.

Failure to address this issue will result in a continued domination of larger sites and an overall reduction in housing completions as the important role of SME developers continues to suffer.

4. Are there any other aspects of the planning system that have an impact on SME housebuilders that we should consider?

The potential impact of Local Place Plans on future site allocations in Scotland is still to be established. It is likely that any impact on proposed housing sites will be related to smaller sites put forward by SME housebuilders, rather than larger sites.

5. Do you consider there to be any difference between how the planning system impacts SMEs between England, Scotland and Wales?

We are only active in Scotland, so not in a position to comment.

Options for reforming the planning system (Section 5)

Question 5.1

1. Should the UK, Scottish and Welsh governments be considering changes to their various existing methods of assessing housing requirements? If so, should providing certainty, stability and consistency to the housebuilding market feature?

Yes to both.

2. Are the criteria we set out in paragraph 5.19 appropriate for determining an improved methodology for target setting?

Yes.

3. What is the most appropriate method of forecasting housing need – nationally and locally?

A method based on accurate forecasting of local requirements, incorporating the full spectrum of circumstances that should be considered in calculations for housing need. Major concerns exist with the HNDA and MATHLR approaches currently utilised indicating numbers considerably below actual housing need in certain local authority areas.

Question 5.2

1. How could the financial and resourcing constraints facing LPAs in the production of local plans be mitigated whilst incentivising LPAs to produce local plans on time?

No comment.

2. We note in Section 4 above that land supply constraints, such as urbanisation or greenbelt land, affect the availability of sites for local plans. These constraints would not be directly changed by financial incentivisation. How could land supply constraints be managed in an effective way?

No comment.

Question 5.3

1. What is the most appropriate method for implementing a reformed, rule-based system that is designed rigorously and resilient to future changes in planning policy -and which minimises disputes about the lawfulness of developments?

A reformed rule-based system would be welcomed. There would need to be an appropriate level of information provided for review by the LPA, proportionate to the size and nature of development. A greater level of approval by planning officers may be appropriate and could speed up the process.

Question 5.4

1. To what extent would increased planning fees materially affect the viability of certain developments? Are there particular circumstances where this is likely to occur?

It would be of benefit if an increase in planning fees is offset by cost savings from having to provide a reduced package of information.

2. How could the availability of qualified planners be improved?

Better promotion of the vocation through schools and universities. Positive messaging of the profession.

Question 5.5

1. What measure would be most effective in supporting SMEs to navigate the planning process effectively?

Direct lines of engagement with the planning authority are of great benefit.
Consistency of response from officers and consultees.