

DCLG consultation, September 2017: 'Planning for the right homes in the right places'

Transport Planning Society response to consultation

1 Introduction

- 1.1 The Transport Planning Society (TPS) aims to facilitate, develop and promote best practice in transport planning and provide a focus for dialogue between all those engaged in it, whatever their background or other professional affiliation. TPS was established, and continues to be supported by four professional societies with an interest in the subject: the Institute of Civil Engineers, the Chartered Institute of Logistics and Transport, the Chartered Institution of Highways and Transportation, and the Royal Town Planning Institute.
- 1.2 The TPS has over 1400 individual members and corporate membership which includes many of the major consultancies that undertake transport work. The TPS has developed the widely-recognised qualification of Transport Planning Professional, the only such qualification in the UK and internationally regarded as an exemplar.

2 TPS Perspective

- 2.1 The TPS responded to the DCLG consultation on the Housing White Paper (HWP) in April. We provided extensive evidence that the high proportion of new households formed by younger age groups, and their diminishing incomes, mean a widening gap between housing need and effective demand. In these circumstances, the aim of providing sufficient land to meet the projected need will lead to a surplus of land over what the private sector can viably deliver.
- 2.2 The HWP relies on the private sector for delivery, but given a surplus of sites, the private sector will focus on those most profitable to develop. We suggested that this would increase transport demands, both directly because of suburban locational preferences in the market, and indirectly by pre-empting improvements in infrastructure and services to existing urban areas. We expressed our concern that without substantial provision for non-market housing, this risks making the housing choices available to new households worse, not better.
- 2.3 We are disappointed that there has been no official response to our submission or to the key transport concerns arising from this analysis, namely that:
 - Strategic housing market areas are being planned piece-meal and the conurbations (especially London) are in need of a coherent overview at a larger scale than this.
 - 'Whole stock' and 'place-making' perspectives on housing which would allow transport planning to address the crucial problem of deficient infrastructure and services are being neglected.
- 2.4 Our vision is that transport planning should contribute to making places that are not only well-connected, but also attractive, productive and sustainable ('decide and provide' rather than 'predict and provide').

3 The present consultation

- 3.1 The current consultation is primarily about changing the method of calculating housing needs. The purposes of the changes are stated as being to reduce the complexity, cost and time taken, and to make the process more transparent. Responses are sought in the form of answers to a series of 19 pre-set questions, many divided into further components.

- 3.2 Like Local Plan Inquiries into housing issues these focus on the minutiae of estimating housing needs, and are not helpful from a cross-cutting consideration like transport (which barely gets a mention in the consultation paper). While we agree the need to identify the 'right homes' and to ensure their provision in the 'right places', we consider that the consultation proposals as a whole do not deliver on either aim. Nor do they, in our view, meet even DCLG's more limited process concerns: indeed in some important respects the proposals make matters worse on both process and outcomes.
- 3.3 The format is either online by Survey Monkey, or by completing the same questionnaire on a pro forma and submitting it by e-mail (with attachments if necessary). This may be administratively convenient for DCLG, but makes it very difficult to deal with the major strategic implications of what is presented as an administrative reform, or to share the reasoning behind our response with DCLG or others (as our strategic aims, and the nature of the response both require). This response therefore places our answers into a report style document with explanatory/linking material. This will be attached to the completed pro forma.
- 3.4 Our responses concentrate upon Questions 1(a) and (b) concerning the calculation of housing need for individual Local Plans; Questions 2 and 3 concerning validity and soundness; and Questions 7(a), (b) and (c) concerning statements of common ground over wider areas.

Proposed approach to calculating local housing need

- 3.5 Question 1(a) asks if we agree with the proposed approach. This comprises three steps:
- Step 1: Setting the annual increase for 2016-26 in the most recent ONS household projection as the annual baseline of housing need for each local authority area;
 - Step 2: Adjusting for 'market signals' by increasing the baseline figure by 0.25% for each 1.0% increase above 4.0 in the affordability ratio (workplace-based median house price relative to median earnings)¹;
 - Step 3: To ensure the method is deliverable, it is proposed to cap increases at 40% above the current annual requirement figure for LAs that have adopted their Local Plan within the last 5 years; and (for less recent adoptions) at 40% above the higher of their Local Plan figure and the ONS projected household growth.

TPS response to Question 1(a)

We agree the need to identify the 'right homes' and to ensure their provision in the 'right places', but in our view the approach to assessment of housing need as a whole does not deliver on either aim. Nor does it meet even DCLG's more limited process concerns. Indeed in some important respects the proposals make matters worse on both counts. Because DCLG's questionnaire does not facilitate responses from a cross-cutting perspective like transport, we append to our response our report linking and explaining our answers.

In more detail we do not agree with the proposed standard approach to assessing housing need, for the following reasons:

- Step 1 abandons the strategic Housing Market Area as the unit for consideration of housing needs (an HMA is typically a group of LAs that is functionally interdependent in housing market terms) in favour of the Local Plan area (normally a single LA). This is particularly unfortunate for transport planning, because travel demands are typically a function of geographical areas at the scale HMAs and above. This step therefore undermines efficient and effective planning and provision of transport services and infrastructure.
- Step 1 also enshrines the most recent ONS projections as the major determinant of spatial

¹ The threshold ratio of 4 is based upon typical mortgage borrowing limit of 4x income; thus a local affordability ratio of 4 would mean no adjustment, while a ratio of 8 would add 25% and a ratio of 12 would add 50%.

policy. ONS is clear that its projections are policy neutral: they take past trends and project them forward on the assumption that the same policies and processes are in place in both the past 'reference' period and the future 'projection' period. A large part of local trends in household needs is the result of past local patterns of population movement, itself a reflection of local housing opportunities (existing as well as new). In this respect, making such central use of the projections for forward planning risks circularity. Moreover, the policy being expressed is that past trends should be continued, effectively treating them as either desirable or immutable, with only the most exceptional physical or environmental constraints allowed to stand in their way. This is fundamentally contrary to the idea of 'positive planning' as set out in NPPF.

- Step 2 is justified by the assumption that increasing the housing need figure, and therefore the level of housing land provision, will increase the amount of housing that is built, and that this in turn will lead to lower prices and improved affordability. The evidence offered is the Barker Report (2004) and the projections by NHPAU (2008). Both of these sources in fact demonstrate that prices are extremely insensitive to the volume of new build – because new build is only about 10% of the market. The very first table in the Barker Report states that a 70,000 increase in annual national output would 'price into the market' only 5,000 more households per year, and then only after 10 years at that rate. Barker herself has recently expressed concern about the continuing emphasis on new build (*'Homes target may never be met, warns housing guru'*, Daily Telegraph). Moreover, if additional output did succeed in lowering prices generally, builders would be likely to reduce their output.
- Step 3 is justified by the need for stability in Local Plans, and (together with Steps 1 and 2) its aim is also to reduce the complexity, cost, and lack of transparency of the housing need calculation. However DCLG's Data Table accompanying the consultation shows the result of applying the proposed procedures is a major upheaval in housing provision in Local Plans across the whole country. Over 150 out of about 330 local plan areas would have increases or decreases of over 100 dwellings pa – more than enough to cause major (though contrasting) concerns from residents, LAs and developers. When compared with existing stock (see Appendix 1) the implied increases in needs to be met over 10 years (locally or by agreed displacements) range from zero (Scilly, Barrow) to nearly 50% (Tower Hamlets). There is distinct regional pattern to the differences: the top ten increases are all in London (though Hillingdon and Croydon both show major decreases), while the bottom ten are mostly in the North (particularly the NW). These figures seem likely to add further to 'complexity, cost, and lack of transparency' at Inquiries, without offering any rationale or a countervailing benefit.

TPS Response to Question 1(b): improving transparency of information on local housing need

ONS projections show that around 75% of newly-forming households over the next 20 years are under 25 now (see TPS response to HWP). This age group is suffering from increasingly insecure and inadequate incomes, and will increasingly be unable to enter the private housing market, even for the lowest priced existing stock. Although most new housing is sold to existing owners rather than first time buyers, the lack of new market entrants will in time reduce effective demand throughout the market. Rather than lack of land, this is likely to be the key factor limiting provision of new market housing. In our view the proposed approach is misleading as a guide to action because it ignores these dynamics.

We consider that Information on local housing need should focus more on the dynamics of change, with less emphasis on net change over extended periods of time. The needs of newly-forming households should play a greater role in guiding new provision in terms of tenure and price. This understanding would facilitate provision of new homes directly relevant to the needs of new

households, in terms of tenure as well as price. More importantly, information on local housing needs should help us understand the role of existing lower-price/rental homes in meeting these needs, and the role of environment, services and infrastructure improvements to communities where such new households can afford to live.

These issues have important implications for both transport planning and for the economy. The underlying assumption of both the HWP and the present consultation is that building for sale is the primary means of meeting housing needs, with private and social renting having only residual roles. However, although home ownership gives security it inhibits flexibility of movement, and increases commuting distances when jobs change or move, while the opposite is the case for renting. Higher paid workers can choose from both new and existing homes and commute long distances, but a large proportion of local workforces have more limited choices, and depend on lower priced existing homes to buy or rent.

TPS strongly supports the principle of sustainable development as the test of the 'right places' for new homes. Our response to the HWP emphasised the importance of better integration of transport and housing in new developments, and DCLG and DfT have been making welcome moves in that direction. However, new homes represent only about 10% of the total volume of locational choices that impact on travel demand. At HMA and city-scales urban regeneration and social housing provision have more important roles than new housing in widening choice and counteracting the growth in transport demand, particularly where well-integrated with public transport provision. This is undermined by providing land that in aggregate exceeds effective demand for viable development. This risks swamping the benefits of even the best practice integration within new developments.

TPS Response to Question 2: period of validity of housing need assessment

We consider that two years is an inadequate period of validity. On this basis assessments of housing need made when the plan is prepared would be out of date before it could be adopted. With updates of projection on a 2-year cycle a planning process so dependent on them necessarily lacks stability. There are alternatives, as discussed under Question 3 below.

TPS Response to Question 3: soundness of methodology

The proposed methodology is not sound. It will result in irreversible decisions about housing land provision being made as the direct result of bi-annual household projections. This prevents efficient planning and provision of infrastructure and services that require longer lead times, such as transport. This has already been identified as a major cause of under-delivery of housing, and is therefore unsound. DfT published research by MVA on the relationship between transport and spatial policy at regional level (DfT, 2004²) and this remains directly relevant to Local Plan treatment of this issue. This recommended a closer relationship between the Annual Monitoring Statements required for planning with the expenditure programmes of agencies responsible for transport provision. A sound methodology would secure greater consistency by sharing a longer term sense of strategic direction, and using up-to-date monitoring information (including land supply and housing needs) to influence both housing land release and infrastructure implementation programmes. 'Plan, monitor and manage', as favoured 1997-2007 by predecessors to DCLG (DETR/ODPM) provides a model of such a process.

This is one example of a more general concern about unsoundness resulting from instabilities introduced by the proposed methodology. The period of validity commented upon above (Question 2) is another such. A further example relates to the use of the workplace ratio of house prices to incomes as the indicator of 'affordability' for the purpose of adding housing provision for 'market

² DfT (2004), *'Integration of Regional Transport Strategies with spatial planning policies'*, report by MVA

signals. Dormitory suburbs typically have expensive houses and few (and poorly paid jobs), so these would have the highest ratios and so be the places required to add most housing. Unless this is social housing, these homes will remain unaffordable to local workers (as builders price for the existing market), and will increase commuting in vicious circle. In practice this is what is already happening around London and other conurbations (see also our response to Questions 7 and 8).

Penalising 'under-delivery' of housing relative to targets by increasing targets for future years is another destabilising practice, which it appears will continue. Where targets based on need are unrealistic, because not supported by effective demand (as discussed above and in our response to HWP) this gap will widen from year to year. The effect of this will be an increasingly unstable planning context affecting all services and infrastructure, including transport provision.

Statement of common ground (Questions 7-9)

- 3.6 Every Local Planning Authority will be required by a revised NPPF to produce a Statement of Common Ground (SCG) recording their understanding of cross-boundary issues and the extent of cooperation with others to resolve them. Within 6 months of the new NPPF each LPA is required to produce its own SCG. The area to be covered is 'the housing market area or other agreed geographical area where justified and appropriate' (para 64), and the SCG should list primary and additional signatories and governance arrangements.
- 3.7 Within 12 months the SCG will be required, in addition, to include the process for meeting housing needs across the HMA, and a record of any agreements reached. The NPPF test of 'soundness' is to be amended to require that plans are based on strategy over a wider area, and on evidence of effective joint working on SCG issues. However, this requirement is not intended to be an additional 'burden' or a source of delay.
- 3.8 Questions 7 and 8 concern the administrative arrangements and timetable, while Question 9 concerns application of the test of soundness where an SCG is in place.

TPS Response to Questions 7 and 8: administrative arrangements

An SCG could be a step in the direction of 'sharing a longer term sense of strategic direction' as advocated in our response to Question 3. However, the SCG is seen as a situation report, not a policy document, and would thus be inadequate for this purpose. The proposals also seem self-contradictory since HMAs generally cover at least two LPAs (and normally several), while each SCG will refer to one LPA and state its own view of the appropriate geographical area and issues to be covered.

As with the existing Duty to Cooperate, there is no duty to agree but there is the potential for great complexity.

There are particularly serious issues affecting the provision of housing in and around London, because the relevant HMAs cover much of the Greater South East. Our response to Question 1(a) has pointed to the fact that the top 10 increases in housing needs are within London (see appended report, Appendix 1). The projected needs within London are already so great that any meaningful response through the SCG process will require involvement of most of the surrounding Counties and Districts. This poses great dangers and difficulties for transport planning and provision as needs arising within London are displaced to surrounding areas. From economic and transport perspectives the tenure of new homes, and the policies applied to existing housing stocks will be more important than new build numbers (see response to Question 1(b)).

There is a serious risk of 'good' transport policies adding fuel to the fire: the nightmare scenario for London is that high-priced housing in the Shires will attract highly paid commuters to central London, encouraged by TfL plans for better rail links. Meanwhile genuinely affordable and social rented housing near the centre is being replaced by high density but high rent investor housing, with the present inhabitants (often working locally in lower paid jobs) being displaced to cheaper but more

distant suburbs. Most of this movement will be accommodated by churn of existing homes rather than new building, and would generate additional transport demand, likely to exceed the capacity of the best that GLA can do.

Similar, though less extreme, issues affect other conurbations. The SCG proposals appear completely inadequate to respond to these concerns.

TPS Response to Question 9: test of soundness

The test of soundness is applied as part of the Local Planning Inquiry process, by which point a very large amount of work has been undertaken. A finding of unsoundness could render much of this abortive and lead to major delays. The administrative arrangements do not seem adequate to mitigate this danger: there is more emphasis on the SCG process avoiding burdens and delay than on its strategic effectiveness.

A better approach might be to carry out a common stage of the Inquiry process over a wider and more relevant area, such as an HMA or a Travel to work area.

4 Conclusion

- 4.1 The boxed comments have been submitted to DCLG as TPS's response to the consultation. We consider the proposals to fall so far short of the ambition expressed by their title that they should be radically rethought.

Appendix 1: Housing Needs Rankings: DCLG proposed formula vs current Local Plans & existing stock

| Absolute differences DCLG-LA (dwellings per annum) | | | | | DCLG relative to existing stock (dwellings per annum) | | | | | 10-year OAN |
|--|--------|--------------------------|---------------------------|---------------|---|--------|--------------------------|---------------------------|--------------------|---------------------------------------|
| Local Authority | Region | Housing need (dpa): DCLG | Housing need (dpa): local | Diff: DCLG-LA | Local Authority | Region | Housing need (dpa): DCLG | Housing need (dps): local | 2011 housing stock | DCLG 2016-2026 target as % 2011 stock |
| Top 10 | | | | | | | | | | |
| Greenwich | L | 3,317 | 350 | 2,967 | Tower Hamlets | L | 4,873 | 2,428 | 105,380 | 46 |
| Tower Hamlets | L | 4,873 | 2,428 | 2,445 | Newham | L | 3,840 | 2,355 | 103,210 | 37 |
| Southwark | L | 3,089 | 1,498 | 1,591 | Greenwich | L | 3,317 | 350 | 103,190 | 32 |
| Lewisham | L | 3,181 | 1,670 | 1,511 | Hackney | L | 3,251 | 1,758 | 102,410 | 32 |
| Hackney | L | 3,251 | 1,758 | 1,493 | Barnet | L | 4,126 | 4,126 | 139,350 | 30 |
| Newham | L | 3,840 | 2,355 | 1,485 | Redbridge | L | 2,981 | 2,286 | 101,350 | 29 |
| Islington | L | 2,583 | 1,150 | 1,433 | Barking/Dagenham | L | 2,089 | 1,264 | 71,080 | 29 |
| Wandsworth | L | 2,414 | 988 | 1,426 | Enfield | L | 3,330 | 2,048 | 122,040 | 27 |
| Merton | L | 1,585 | 279 | 1,306 | Lewisham | L | 3,181 | 1,670 | 117,650 | 27 |
| Enfield | L | 3,330 | 2,048 | 1,282 | Islington | L | 2,583 | 1,150 | 96,870 | 27 |
| Bottom 10 | | | | | | | | | | |
| Brighton & Hove | SE | 924 | 1,506 | -582 | Allerdale | NW | 125 | 134 | 45,430 | 3 |
| Newcastle/Tyne | NE | 1,073 | 1,663 | -590 | Blackburn/Darwen | NW | 153 | 365 | 59,620 | 3 |
| South Ribble | YH | 228 | 859 | -631 | Redcar/Cleveland | NE | 142 | 132 | 61,900 | 2 |
| Oxford | SE | 746 | 1,400 | -654 | Burnley | NW | 70 | 166 | 39,940 | 2 |
| Cheshire East | NW | 1,142 | 1,800 | -658 | Hyndburn | NW | 60 | 265 | 35,980 | 2 |
| Birmingham | WM | 3,577 | 4,450 | -873 | Blackpool | NW | 93 | 325 | 68,980 | 1 |
| Leeds | NW | 2,649 | 3,660 | -1,011 | Copeland | NW | 32 | 230 | 32,430 | 1 |
| Croydon | L | 1,414 | 2,440 | -1,026 | Richmondshire | YH | 14 | 180 | 22,800 | 1 |
| Shropshire | WM | 1,270 | 2,518 | -1,248 | Barrow-in-Furness | NW | 0 | 98 | 33,020 | 0 |
| Hillingdon | L | 595 | 3,081 | -2,486 | Isles of Scilly | SW | 0 | 8 | 1,390 | 0 |
| ENGLAND | | 267,011 | 252,131 | 14,880 | | | | 22,976,190 | 12 | |

Source: DCG consultation 'The right homes in the right places', Data table, published 14/9/17