Proposed reforms to the National Planning Policy Framework and other changes to the planning system

London Tenants Federation response to Ministry of Housing, Communities and Local Government consultation closing 24 September 2024

The introduction to the consultation document begins:

'1. The Government has made clear that sustained economic growth is the only route to improving the prosperity of our country and the living standards of working people…

'2. Nowhere is decisive reform needed more urgently than in our planning system…' The Government is 'committed to … take a different, growth focused approach.'

The Government states its commitment to build 1.5 million new homes. The target for London is 80,000 homes a year.

London Tenants Federation wishes to draw attention to the fact that the 2021 London Plan already places strong emphasis on what it describes as 'Good Growth' and has set high housebuilding targets of 66,000 a year.

Nevertheless, in London only 35,000 new homes were delivered last year.

Evidence suggests that most of the reasons for this shortfall lie outside the planning system and that the solution therefore largely rests elsewhere.

On 26 February 2024 the Competition and Market Authority (CMA) published their 'Housebuilding Market Study'. We quote from their press release of the same date: 'Around 60 per cent of all houses built in 2021 to 2022 were delivered by speculative private development, which is when builders obtain land, secure planning permission, and construct homes without knowing in advance who will buy them or for how much…the country's reliance on this model has seen the gap widen considerably between what the market will deliver and what communities need…'

This conclusion is supported by the figures of homes built in London in 2021-22 where only 3,721 completions were at low cost rent (a category which includes not only social rent but also London Affordable Rent at rent levels roughly 50 per cent higher).

This flies in the face of 'what communities need' as assessed by the 2017 London Strategic Housing Market Assessment (SHMA) which stated that 78 per cent of the backlog of housing need was for social rented housing and that 30,425 social rented homes would be needed every year to meet the need. The 19th Annual Monitoring Report on the London Plan, referring to the years 2017-18 to 2021-22, reports in contrast that the need for market homes (22,216) identified in the SHMA was exceeded each year.

The CMA press release has this to say on 'Speculative Private Development: … The evidence shows that private developers produce houses at a rate at which they can be sold without needing to reduce their prices, rather than diversifying the types and numbers of homes they build to meet the needs of different communities (for example providing more affordable housing).'

It says further: '…the evidence shows that the market may still not deliver the quantity of homes that meets Great Britain's housing need.

'It is open to policymakers to deliver change through more fundamental interventions, often with fiscal and policy implications, that go beyond the way in which the market itself works but would have a significant impact on the quality and affordability of new homes being built.' The press release refers to 'areas of potential intervention' and says 'These interventions would include a significant increase in non-speculative house building that has previously been led by local councils and housing associations.'

At the time of issuing the report the CMA also announced: 'We have also opened a new Competition Act investigation into eight housebuilders in light of evidence suggesting they may be sharing information with their competitors.'

The Big Issue on 26 July 2024 carried an article by Steve Howell entitled 'How Labour's housebuilding target of 1.5 million new homes hinges on just six private companies.' Even since February there had been consolidation of the number.

The article says: 'The premise of Labour's policy is that the planning system is constraining the supply of land for new build, but this flies in the face of the fact that developers have vast land banks, much of it with planning already granted.

'Research by Big Issue last year found that the land held by the top eight housebuilders alone had soared to 918,823 plots, an increase of 49 per cent on 2018 and enough to keep them going until around 2040 at their current output…

'Local authority and housing association leaders say Labour's housebuilding target cannot be achieved without public investment in social housing. In a letter to [Angela] Rayner, the National Housing Federation and the Local Government Association have called for "a long-term plan for new and existing social homes, underpinned by a fair and sustainable financial model developed alongside councils and housing associations".'

London Tenants Federation would stress that such a long-term plan should not be based on year on year above inflation rent rises for social housing tenants and are calling for a rent freeze instead. Such rent increases do nothing for the Government's stated aim of improving 'the living standards of working people'.

On 8th August 2024, The Economist published an article entitled 'Would building 1.5 million homes bring down British house prices?' with the sub heading 'Answer: not by much'. The Economist questions whether the target is realisable: '1.5 million new homes in England over this parliament…would represent a 27 per cent increase in the number of new homes built over the past five years. It is a target that has not been hit in decades.' But the article also raises doubts about the correlation between increased house building and lower prices, for example: ‘Prices are heavily affected by changes in interest rates, not just by the number of homes that are built. In the decade to 2010, for instance, the housing stock rose by eight per cent but real house prices soared by 70 per cent as the cost of debt fell.’

And ‘guidance published by the Ministry of Housing, Communities and Local Government in 2018 estimated that, when holding other factors like interest rates, population and incomes constant, a one per cent increase in the housing stock would lead to a two per cent fall in prices’ adding ‘And other things are never equal. According to the housing ministry’s guidance, a two-percentage-point fall in interest rates pushes house prices in the other direction by six percentage points.’

The final document we would like to draw attention to is ‘The promise of cross-subsidy; Why estate demolition cannot solve London’s housing emergency’ by Dr Joe Penny, UCL Urban Laboratory, published by the Public Interest Law Centre in August 2024. It has relevance to the proposals relating to brownfield land, since all London’s council and housing association housing estates are classified as brownfield land, and is also relevant to issues relating to the environment.

The report opens its Executive Summary: ‘Since the turn of the millennium, hundreds of council and social housing estates across London have been “earmarked for demolition” and redevelopment by local councils and housing associations.’ It continues: ‘…in the absence of sufficient grant funding, local councils and housing associations, often working with private developers and investors, seek to unlock latent land values of council and social housing estates, replacing them with denser mixed-tenure developments.’ There are ‘three prominent approaches to estate regeneration-as-redevelopment in London…all entail the monetisation of rising land and property values through the demolition and redevelopment of existing council and social housing estates.’

The Executive Summary continues: ‘A wealth of academic, policy and community research, across various media, shows that estate demolition and redevelopment is a socially and ecologically harmful process. For tenants and leaseholders, it is disorienting and disruptive; it negatively impacts people’s, and especially more vulnerable people’s, mental and physical health, undermining their ontological security and their place-based social and livelihood relations. It is also environmentally wasteful. When taking a whole life-cycle of buildings approach, the demolition and redevelopment of council estates significantly increases embodied carbon emissions when compared to alternatives such as refurbishment.’

The report also quotes figures which show that social rented housing, ‘the tenure of housing Londoners are in most need of’ is underdelivered and most often reduced. ‘In total, 23,551 new homes have been, or are expected to be, delivered by the programmes analysed in this report by 2035. Of that, the majority, 11,961 (51%), are for market rent or sale. Just over a fifth, 5,112 (22%), are for intermediate ownership and rent, including shared ownership, Affordable Rent and London Living Rent. And just over a quarter, 6,478 (27%) are replacement social rented homes. There will be a net loss of 2,151 truly affordable housing, with 8,629 council rented homes demolished across the six cases.'

The Introduction outlines wider issues relating to the London housing market: '…investors – encouraged for a time by low interest rates and quantitative easing – have competed to acquire real estate. This rush of capital into housing, especially in 'gateway cities' for global investment like London, has played havoc with ordinary urban life…In 2023, the average market rent for a one-bedroom home was 46% of the gross median pay in London, well above the UN-Habitat's housing affordability threshold of 30% of net household income spent on rent…The housing emergency has become a driver of poverty.'

To this overall picture, we would add that Right to Buy has lost over 300,000 council homes in London since 1980 (figure from Mayor of London) with 40 per cent of them now rented out at market rents. London Tenants Federation is calling for an end to Right to Buy.

Within this context, London Tenant Federation submits the following responses on particular aspects of the proposals. We find the format of the questions, many of which ask 'Do you agree' to proposals with many complexities, unhelpful, and will therefore provide explanatory points while at the same time making reference to the part of the document we are commenting on.

Chapter 1 – Introduction

c) '…ensure local plans are ambitious enough' – this is one of many comments in the proposals which emphasise numbers. Apart from the earlier points we have made, experience tells us that this can lead to a big increase in the amount of expensive market housing, often aimed at investors, with marketing directed towards them. In London this type of housing has taken up many sites which could have been used to build social rented housing which meets the needs of many Londoners, particularly those on housing waiting lists, in temporary accommodation, in overcrowded homes, sleeping on the streets, and in insecure and expensive private rented housing which is largely unregulated and does not meet their needs. This point is also relevant to Chapter 3, 15, which refers to 'the issue of chronic undersupply of land that underpins the housing crisis', and 20: 'we should celebrate strategic delivery records without deleting future ambitions' – a liveable London should not mean encouraging endless increases in amounts of housing built regardless of whether it meets most Londoners' housing needs.

d) '…broaden the existing definition of brownfield land, set a strengthened expectation that applications on brownfield land will be approved and that plans should promote an uplift in density in urban areas' - 'brownfield land', as we have previously pointed out, includes London's many council and housing association estates, where most of the city's remaining precious social rented housing exists. 'Regeneration' schemes in London have already cost thousands of social rented homes, largely to be replaced by expensive market housing, as our earlier quotations from Dr Joe Penny's report indicate, where the many negative effects for Londoners are also outlined. This has contributed greatly to the housing crisis. London Tenants Federation is very concerned that automatic approval for development on brownfield land will lead to approval of even more of these destructive schemes. As to 'uplift in density' London Tenants Federation wants to see a city where people can live comfortable lives, with space and green space. Many housing developments in the recent period fall far short of this ambition. Placing this emphasis greatly increases the risk of a continuation of this process. This is our response also to points in Chapter 3 relating to density, and to Chapter 4, 19c 'Maximising delivery in urban areas…gently densifying urban areas, including building upwards where appropriate'.

e) 'identify grey belt land within the Green Belt' – there is much emphasis in Chapter 5 on proposals for release of Green Belt Land for housing. If areas of the Green Belt are lost only to be replaced by yet more expensive market housing, which in the current context is a great risk, how will this have benefited Londoners?

k) 'support…the environment' – London Tenants Federation strongly supports refurbishment rather than demolition of existing homes. Apart from stemming the loss of social rented housing, and causing far less long-term upheaval for existing communities, this policy is far more environmentally friendly. Yet the policy proposals aim at a huge increase in the amount of housebuilding in London, without regard for the environmental consequences. Again, these are outlined in Dr Joe Penny's report.

Chapter 2 – Policy objectives

4c) 'boost affordable housing, to deliver the biggest increase in social and affordable housebuilding in a generation' – given the context as we outlined it at the beginning of our submission, we do not see indications in the proposals of exactly how this is to be achieved. In fact, it is in any case a modest aim, given the very low delivery of social and affordable housing going back many years.

f) 'ensure communities continue to shape housebuilding in their areas' – London Tenants Federation would argue that most communities in London have very few such opportunities, and those that exist are largely theoretical. Participation in and even knowledge of the local planning process by most of London's communities is very low. We would have welcomed an emphasis in the proposals in how this situation can be changed, and the voices of London's ordinary people, including social rented housing tenants, be given the prominence they deserve.

5. 'Local plans …are also the mechanism through which local communities can have their say in how homes are built' – see our comment on 4f) above.

8. 'We are changing national policy to support more affordable housing, including more for Social Rent' – we very much welcome the specific mention of social rented housing in the policy proposals. Affordable housing is a very deceptive term, including as it does categories like shared ownership which is aimed at households earning £90,000 a year, and even categories of housing for sale. Social rented housing is the only type which offers the rent level and security of tenure which are vital for so many Londoners, particularly in the context of the extremely high London cost of private housing for sale or rent.

Chapter 3 – Planning for the homes we need

See points included in comments on previous chapters.

Chapter 4 – A New Standard Method for assessing housing needs

London Tenants Federation wants the method of assessing housing needs to reflect the numbers on council waiting lists, the numbers in temporary accommodation, and all the other people who most urgently require a secure home they can afford to live in, including people forced out of the area they hitherto called home by the severe shortage of social rented housing.

We draw attention to 5c 'directing homes to where they are most needed and least affordable'; and 7b. 'tops up this baseline by focusing on those areas that are facing the greatest affordability pressures, using a stronger affordability multiplier to increase this baseline in proportion to price pressures'. These and other comments in this chapter appear to suggest that increasing the target number of homes to be built will bring down prices. Our introductory comments indicate why that is unlikely to be the case.

Chapter 5 – Brownfield, grey belt and the Green Belt

See points in Chapter 1 d.

In relation to point 1, 'the default answer to brownfield development should be "yes".' – see comments in Chapter 1 d) for our concerns about this approach.

Our concerns that the opening up of the Green Belt will only lead to construction of more speculative market housing is increased by qualifications such as those in 24: 'The Government is proposing a target of 50 per cent Affordable Housing on land released from the Green Belt for residential development. The

Government is committed to delivering more genuinely affordable housing tenures, such as Social Rent. However, we also recognise that for the purposes of place-making, a balance of tenures is required. For that reason, we propose that the tenure split across affordable housing delivered under the golden rules be for local authorities to decide'; and in 28: 'we believe that it is necessary to allow the limited use of viability assessments…particularly in relation to affordable housing'. Viability assessments are notoriously used by developers to claim they cannot afford to provide affordable housing. Perhaps they should be allowed only where they increase, not decrease, the amount of affordable housing, above the mandatory level.

Chapter 6 – Delivering affordable, well-designed homes and places.

While the specific mention of social rented homes is welcome, we have concerns about how the big increase in the number of social rented homes which is urgently needed will be achieved. There are also qualifications that concern us, for example in 4: 'we propose setting an expectation that housing needs assessments explicitly consider the needs of those requiring Social Rent and that authorities specify their expectations on Social Rent delivery as part of broader affordable housing policies… but we will not be prescriptive'.

We welcome 5, which removes the requirement for housing for sale to be included in affordable housing provision, as it will always be chosen by developers over rental products if they have the option.

We welcome 8: '…we want to make clear that development that delivers a higher percentage of Social Rent (or other affordable housing tenures) should be supported' though we would have preferred it without the qualification 'or other affordable housing tenures', since so-called affordable products like shared ownership are so often preferred by developers to Social Rent.