

Consultation response

Department of Communities and Local Government

Housing White Paper Consultation

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Shelter helps millions of people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help.

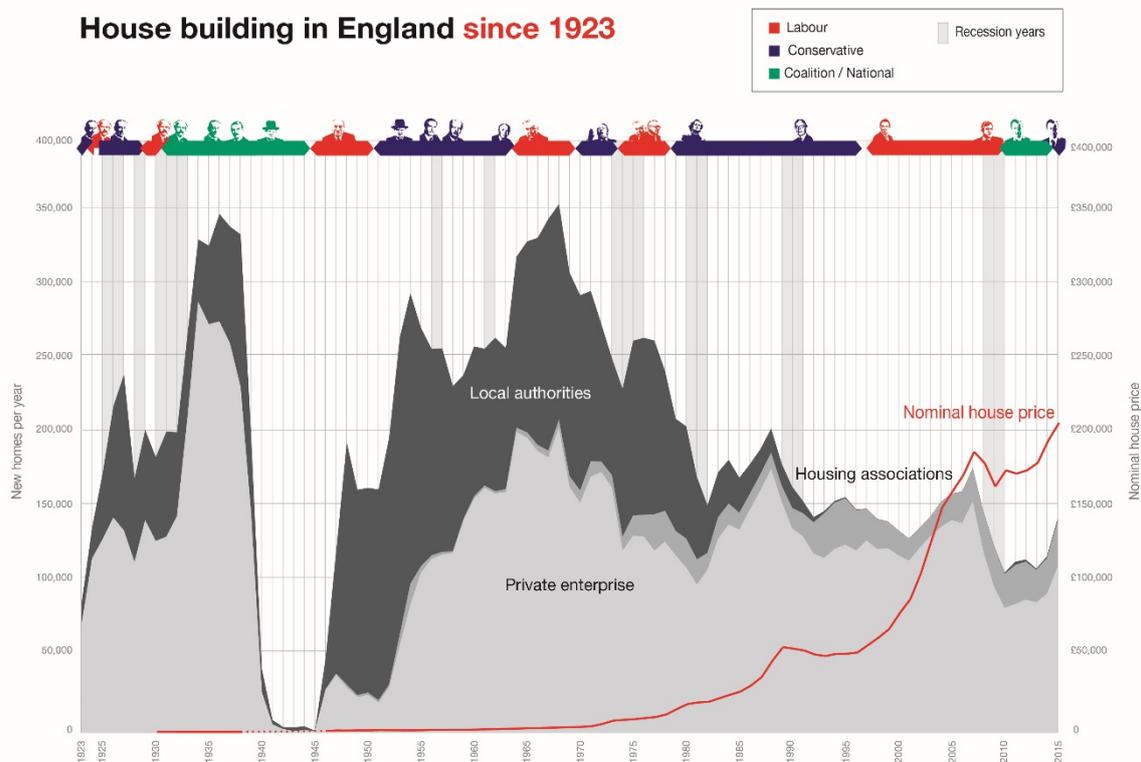
We're here so no one has to fight bad housing or homelessness on their own.

Introduction

Shelter welcomes the opportunity to respond to this consultation.

The publication of the Government's Housing White Paper is an important step and it is encouraging to see a change from demand side to supply side interventions, with the intention of getting more homes, and more affordable homes, built.

As the White Paper clearly states, the housing market is broken: the current speculative model of housebuilding that England relies on benefits those who operate in it, i.e. landowners and developers, but does not deliver for ordinary people.



Sources: DCLG, Shelter analysis
Images (1946-2015): A Right To Build, Architecture 007, 2012 <http://issuu.com/architecture00/docs/arighttobuild>

It consistently fails to deliver the number of homes we need, and what's more, those it does deliver are often out of reach for the people who need them, and can be poor quality:

- Shelter research earlier in 2017 found that typical new homes built today are out of reach for eight in ten (83%) working private renting families across the country – even if they used the Government's Help to Buy scheme¹.
- The 2017 Home Builders Federation and National Housebuilding Council customer satisfaction survey results show that 98% of buyers reporting a problem with their new build home.² In addition, satisfaction with the condition of new build homes has fallen by 10% between 2012 and 2017,³ demonstrating that this problem is getting worse rather than better.

Our reliance on a speculative housebuilding model is responsible for both the poor quality of new build homes and also the overall shortage and lack of affordability. This is because the speculative model involves developers competing for land based on who can provide the greatest upfront cost, with the developer offering the most money winning. Competition then drives up land prices meaning developers have to maintain their profit by doubling down on affordability, quality and infrastructure provision in a race to the bottom.

To address this, we need a new system: one that is focused on delivering community benefit ahead of profit.

The positive tone of the White Paper is encouraging in this regard and suggests that this is an issue the Government are already well aware of, stating *“concern that it may be in the interest of speculators and developers to snap up land for housing and then sit back for a while as prices continue to rise”*. The importance of this recognition should not be overlooked, and it is a notable shift.

Shelter, however, thinks that the positive reforms laid out in the White Paper will only go so far. To ensure that we meet the Government's ambitious, but necessary, housebuilding targets, as well as improving quality and affordability, we need to see Government taking active steps to encourage New Civic Housebuilding, in order to enable genuinely additional and successful new places.

¹ Shelter calculations based on Office for National Statistics HPSSA median new build prices, average regional first-time buyer advances and loan-to-income ratios from Council of Mortgage Lenders data (CML) and gross household incomes (excluding income related benefits) from the Family Resources Survey.

² Home Builders Federation; [National new home customer satisfaction survey](#), March 2017

³ Shelter analysis of Home Builders Federation; [National new home customer satisfaction survey](#), March 2017

New Civic Housebuilding is not strictly new: it is the model that built Edinburgh New Town, the garden cities of Letchworth and Welwyn, and the post-war New Towns. It is also already seen in some modern developments, such as the Duchy of Cornwall's Nansledan.

Moving towards a system that is based on the principles of New Civic Housebuilding would mean that not only are more homes built overall, but that these homes would be:

- Better quality;
- More affordable to local families;
- Better designed;
- Supported by local communities;
- Accompanied by appropriate infrastructure.

In the White Paper the Government has identified serious flaws in the housing market and is rightly taking steps to address them. However, without more fundamental change to the way that housebuilding is approached it is unlikely that the Government's lofty ambitions will be achieved. Shelter believes that we need to take on the many vested interests who benefit from our broken housebuilding system in order to deliver New Civic Housebuilding: in the White Paper, the Government has signalled an intent to start this process. We welcome this, and urge the Government to go even further, in order to ensure that everybody has an affordable place to call home.

For Shelter this means unleashing a new generation of New Civic Housebuilding by:

- **Masterplanning new high quality suburbs, urban regenerations and settlements** - giving city-regions and combined authorities the power to create New Home Zones where land can either be invested as equity for long term revenues, or be bought at closer to its existing use value plus a compensation.
- **Delivering new communities through development corporations** - in terms of delivery, Local Planning Authorities should work with Government to create development corporations. The corporations will take the role of master-developer: putting in basic infrastructure and selling serviced plots to local builders, housing associations, self-builders, Build to Rent providers and others.
- **Introducing Neighbourhood Exception Sites** - based on the Rural Exception Site model. This will allow for the allocation of small sites for housebuilding which are not already allocated in the planning process at the Local Plan level. Neighbourhood Exception Sites should be allowed on green belt designated land, if it has no environmental protection status.

- **Smarter use of public land** - public land is an incredibly valuable asset and could be used to deliver both long term revenues for the public sector and high quality, locally affordable housing schemes. Public landholdings should generally go into equity partnerships for development, where the public sector retains a long term ownership stake and a revenue return.

Summary

The Housing White Paper is a step in the right direction and contains a number of proposals that are welcome. In particular:

- **Build out rates** - the paper looks to tackle the slow build out rates caused by high land prices. Measures to improve recording and understanding of build out rates and their drivers will help to produce a valuable evidence base from which to decide whether further policy intervention is required.
- **Land transparency** - suggestions around making data more widely available are promising. Part of the reason land is so expensive is because of how difficult it is to get hold of clear information on it, giving a competitive advantage to market insiders.
- **Public land** - at the moment, disposal of public land is required to achieve 'best value', meaning it is generally sold to the highest bidder. This means that any eventual development simply mimics the dysfunction seen in the wider development system. The proposals for strengthening local authorities' ability to plan proactively for new development on public land would allow for a more sustainable approach to public sector land disposal.
- **Delivery** - allowing local authorities to set up development corporations to create new settlements, such as garden villages. These would be locally accountable, and based on clearly evidenced need.

There are also areas where Shelter would like to see the Government go further. As well as the measures outlined above which would unleash the New Civic Housebuilding model, there are also policy measures which Shelter believe would improve the outcomes of the speculative model of housebuilding. Many of these build on the commitments the Government is already making in the White Paper:

- **Introduce a national minimum contribution of affordable housing and minimum space standards for homes and rooms across England.**

- **Enforce fully transparent viability assessments.**⁴
- **Create a balanced concept of viability** – the definition of viability in planning policy should be fairer to communities. It should not be judged on the basis of excessive prices paid for land but on a fairer price based on benchmark land values.
- **Planning contracts instead of permissions** – these could improve build out rates and ensure that more planning consents are turned into homes.⁵

Shelter's response to the White Paper notes where the Government is taking encouraging and positive steps, but also highlights how New Civic Housebuilding could help the Government go further. The White Paper is a step rather than a leap in the right direction, and while following through on the commitments that have been made will be critical, it is also necessary to continue considering where there is more to be done.

⁴ The approach being taken by the Mayor of London in his 'Homes for Londoners SPG' will be a positive step in achieving this and could be rolled out more widely, although Shelter would like to see him go further, by making all viability assessments available for public scrutiny.

⁵ Shelter is preparing a discussion paper on this issue which will dissect in more detail how planning contracts could work within the current housebuilding model

Response

Shelter’s response to this consultation takes a thematic approach, considering the broader topics that the White Paper raises as well as the individual policies being pursued. For ease of analysis, included in the appendix is a summary of our position on each individual question.

The response is split into the following sections:

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Land assembly and the efficient use of land

This section incorporates Shelter's response to questions 4, 5, 6 and 13

Making enough land available in the right places

Shelter supports the proposal to amend the National Planning Policy Framework (NPPF) so that when preparing plans, Local Planning Authorities (LPAs) should be able to demonstrate that they have a clear strategy to maximise the use of suitable land in their area, making it clear how much development can be accommodated.

Government proposes that LPAs' strategies on making land available should include:

- Bringing brownfield land back into use;
- More homes on public sector land, including estate regeneration;
- Supporting small and medium-sized sites, and thriving rural communities;
- A new generation of new communities via New Town Development Corporations;
- Making use of green belt land, but only where there are no other reasonable options.

However, requirements already exist for a strategic approach to developing suitable land:

- The NPPF requires LPAs to ensure that both plan-making and decision-taking are underpinned by a set of twelve core land-use planning principles (paragraph 17), including an expectation that LPAs should *“set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities”*.
- The NPPF also requires (paragraph 47) that, to boost significantly the supply of housing, LPAs should identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing against their housing requirements, with an additional buffer of 5%. Where there has been a record of persistent under delivery of housing, LPAs are required to increase the buffer to 20% to provide a realistic prospect of achieving the planned supply.
- LPAs are required to identify a supply of specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15.

Therefore, there is already a strong and punitive regime, whereby Local Plans which cannot demonstrate an up-to-date five-year housing land supply are considered out-of-date and the presumption in favour of sustainable development kick in. The presumption is extremely

powerful: the negative social and environmental impacts of a development have to be overwhelming before a refusal can be justified. **The Government's proposals for requirements on LPA land use strategies are positive, and Shelter would not wish to see them contradicted by a focus exclusively on maximising land use.**

The problem is not always availability of suitable land, but getting the homes built that meet local housing need, rather than simply market demand. Addressing this will mean tackling the issues of land valuation, development viability and the speed at which private developers deliver housing. These issues can be addressed through Shelter's New Civic Housebuilding model, and through measures such as a shift to planning contracts rather than planning permissions. Shelter would welcome the opportunity to work with officials in the Department for Communities and Local Government to help identify the best ways to ensure that permissions are converted into homes.

Shelter is also supportive of the proposal that LPAs' identified housing requirement should be accommodated unless there are policies elsewhere in the NPPF that provide strong reasons for restricting development (rather than just 'indicating' development should be restricted, as policy says now); or the adverse impacts of meeting need would significantly and demonstrably outweigh the benefits.

However, this serves only to slightly strengthen the existing presumption in favour of sustainable development (NPPF paragraph 14) which already requires that Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless:

- Any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in the Framework taken as a whole.
- Specific policies in the Framework indicate development should be restricted.

Regarding the policies that would restrict development (as set out in footnote 9 of the NPPF) Shelter recommends adding public and community assets, such as village halls, community centres and educational facilities to this.

While Shelter recognises that it is vital to not restrict housing development unnecessarily, neither should development be at the expense of public and community buildings, which currently provide local people with educational opportunities, opportunities to maintain health and well-being, affordable childcare to allow parental employment and places that provide an

affordable social life for people of all life-stages – as well as providing local employment or volunteering opportunities.

New Civic Housebuilding would help to ensure that this is the case. It would mean that any development taking place would be appropriate for the local area and would expand housing supply without a detrimental impact on existing local services. Appropriate community infrastructure would be placed at the heart of new development plans, and would be deliverable precisely because it was factored into the original land price. With community benefit as the underlying goal of development, and an approach which focuses on strong masterplanning, clear expectations and a reformed viability process, there would be no justification for developers not to provide the infrastructure that communities have identified for their area.

Specifically relating to part (d) of question 4 Shelter agrees with the proposed reordering of paragraph 14 of the NPPF, as set out in Box 2 (page 79) of the White Paper.

Improving the use of public land

Public land is an incredibly valuable asset, and one which should be better utilised in order to help us meet England's long-term housing need.

It makes little sense for public bodies to dispose of land for a single windfall sum when there is the option to create long term revenue streams by employing a partnership model, which allows for the investment of land as equity, rather than a straightforward land disposal. A partnership model does introduce more risk than a simple sale of land. However, it also offers a greater reward in the long term. In addition, the risk, while increased, remains low given that public bodies will generally own the freehold to land without any debt. Shelter therefore particularly welcomes the forthcoming consultation on extending flexibility to dispose of public land at less than best consideration.

To avoid growing housing need, an escalating housing benefit bill and the growing cost of privately-procured temporary accommodation in areas where housing affordability is a serious issue, **the subsidy potential of public land should be focused on maximising its use to deliver genuinely affordable housing in perpetuity for local people who cannot afford market or intermediate housing.** It makes little sense for local authorities who have identified a need for significant supply of affordable housing to dispose of or redevelop sites to assist the delivery of market or intermediate homes, where these will be unaffordable for

people on average, or below-average local incomes, and therefore unlikely to meet identified need.

How a partnership model for public land could be taken forward is something that Shelter has explored in more detail through New Civic Housebuilding. We recognise that capacity will be a major barrier to a more innovative approach to the use of public land, as will the nature of the increased risk being taken on. Therefore, **we propose that central Government establishes a programme of Development Trailblazers for public land.** These would be public bodies, chosen because they have a strong development team and a pipeline of sites, who would be offered additional resources to boost their capacity. Development Trailblazers should be supported by Government to lead on projects where there are multiple public landowners, by setting up partnerships which could assemble land and bring in delivery capacity.

Thinking about more innovative ways for public land to be utilised also offers the opportunity to better capture land value uplift. Under the current system, the uplift in land value created benefits the developer who has purchased the land far more than the public purse, and this imbalance needs to be corrected.

Shelter believes that public land should be appraised not on the basis of a maximum market value, but instead on the basis of high quality development incorporating infrastructure and affordable housing. In addition:

- There should be a presumption in favour of public bodies developing their land directly, or transferring it to development corporations. Public accounting rules should be reformed to encourage transfers at values that reflect high quality development plans.
- Genuinely surplus public land (i.e. where it is not appropriate to develop directly or via development corporations) should be released through the HCA (or appropriate city regional bodies) at values that reflect high quality plans for that land.
- The Best Value regime should be revised to make it clear to public bodies that they should consider the full economic and social value of the proposed use of any land sold or transferred, not just the capital price received.

A further major barrier to better use is a lack of understanding of the extent. Poor data collection means that the total size of public land holdings remains unknown. The moves announced by the Government in the White Paper towards completing the Land Register by 2030, and kickstarting this by requiring the registration of all public sector land are extremely welcome. This will be a significant step forward in the drive to use public land more effectively

for housing. Shelter also welcomes the release of the Land Registry's corporate, commercial and overseas ownership datasets. We look forward to working further with the Government as it seeks to establish a 'clear line of sight' over control and ownership of land⁶.

Improving local authorities' role in land assembly and disposal

Shelter welcomes the Government's intention to address the discrepancy between the powers available to unitary and two-tier areas with regard to the disposal of land with the benefit of planning consent which they have granted to themselves. Enabling local planning authorities to plan high quality new development on public land before disposing of the land for others to deliver that permission is a powerful way to ensure development is delivered with the community benefit in mind. It would allow for the value of the scheme to determine the land value, rather than the other way around, by eliminating the potential for hope value to inflate the market value of the land.

Enabling land to be disposed of with planning permission but then requiring the purchaser to re-apply, as under the current system, simply perpetuates some of the worst features of our competitive land market: the land is likely to be sold at a price reflecting its hope value (the maximum possible value of what could conceivably be built), rather than the value of the scheme planned for by the local community. It is for this reason that Shelter welcomes measures to address this issue. However, there remains a concern that any perceived flexibility over what can be built on land disposed in this way could negate the purpose of acquiring the planning permission in the first place. For example, if the purchaser were to argue that the permission should be renegotiated through a viability assessment, the affordable housing, infrastructure and community facilities of a scheme could be minimised. It is for this reason that Shelter believes that in addressing this discrepancy between areas with unitary authorities and areas with a two-tier system, **Government should also take the opportunity to strengthen the viability process by adopting a more robust benchmark for calculating land value.**

Shelter believes that land pooling is an effective mechanism for assembling land for mixed-use development with a fair approach to landowner compensation. Currently, where land is assembled from multiple landowners for new development, there is intense competition over what each individual piece of land is allocated for. The reason for this is that the value of land is significantly greater if designated for residential development, rather than

⁶ For a full discussion of the opportunity of land market transparency, there is a separate Shelter briefing available on the online [Policy Library](#), and Shelter have responded in detail to the White Paper's proposals on improving transparency of ownership on the Policy Blog.

commercial development. Equally, land adjacent to new major infrastructure (such as a rail station or motorway junction) will see a significant uplift in value. Each landowner will hope to receive the greatest possible value for their land, and if unhappy with their designation, can refuse to sell, holding up the entire scheme. Land pooling, in contrast, enables a value to be generated for the scheme overall, rather than the individual sites within it. This overall value is then shared equally between landowners.

In addition, if, as indicated in the White Paper, land pooling is used to enable local authorities to bring forward smaller serviced building plots for sale to a variety of individuals and SME builders, this will help to diversify the local market and speed up build out rates. Particularly where serviced plots are sold to custom builders, the issue of local absorption rates is minimised. The person commissioning the build is also the eventual occupier: the risk of securing a buyer at the right price, which is so central to the speculative housebuilding model, is negated.

Using land more efficiently for development

The NPPF (paragraph 47) requires LPAs to set out their own approach to housing density, to reflect local circumstances. **Shelter agrees that density requirements should be stronger in areas with a shortage of land and high levels of housing need, in order to avoid under-development.**

However, Shelter would like to see greater consideration given to the factors necessary to safeguard people's health and quality of life. Guidance requiring the avoidance of building homes at low densities must also require that denser developments give careful consideration to the provision of play space, recreation facilities and green infrastructure.

LPAs should be required to base density policy on meet the needs identified in the local Strategic Housing Market Assessment (SHMA).

With regard to building upwards, Shelter agrees that where appropriate this should include the scope to build over low-density sites, such as supermarkets, and car parks; or to extend buildings upwards by using the 'airspace' above them.

There is scope to use innovative construction methods, such as high quality prefabricated units, to quickly extend existing buildings upwards. The prefabricated temporary accommodation built by LB Lewisham at its PLACE Ladywell⁷ site is a very good example of

⁷ <https://www.lewisham.gov.uk/inmyarea/regeneration/lewishamtowncentre/Pages/placeladywell.aspx>

the quality of accommodation that could quickly be provided over supermarkets and other large low-rise buildings, such as sports centres.

Where existing low-density homes are to be replaced, resulting in people's homes being demolished, this must involve careful and meaningful consultation with existing residents, and majority support, which is more likely to be achieved by offering appropriate guarantees and incentives, such as right to return.

To avoid the displacement of existing residents and communities, particularly those on lower than average incomes who may struggle to find suitable alternatives in the same locality, they must have a meaningful right to return to a suitable and genuinely affordable new home on the replacement development. To continue to meet future housing need, the number of homes that are genuinely affordable to people on average or below average incomes in perpetuity must not be reduced in the replacement development.

There is a value in allowing some flexibility, but policy and guidance exist to ensure good quality, sustainable development. In the example given within the part (d) of question 13, open space provision between high density buildings can be essential to ensure light and a sense of space and privacy in high density dwellings. It is also essential as outdoor play space within a safe and observable vicinity of the home, as younger children cannot be expected to use nearby facilities unaccompanied.

High density development must promote child well-being by ensuring there is adequate external play-space attached to the dwelling (terrace or patio) for pre-school children, who cannot be allowed out unaccompanied, and safe and easy access to play-space within sight of the home for primary age children. Otherwise, children are unlikely to be allowed to go outside to play without adult supervision, with detrimental effects to their well-being and development⁸. However, there are innovative ways to provide this, such as safe rooftop play-spaces on lower buildings within the development, which can be observed from a large number of dwellings, or internal courtyards or squares.

⁸ Harker, L. (2006) [Chance of a lifetime The impact of bad housing on children's lives](#) (Shelter)

Supporting smaller sites and improving design

This section incorporates Shelter's response to questions 8 and 12

A new generation of new communities

Shelter supports the proposal to amend the NPPF to encourage Neighbourhood Plans to identify and allocate small sites for housing development. In some neighbourhoods, especially those with poor connectivity as a result of infrequent or expensive public transport, the provision of just a few additional affordable homes can allow all those who need it to remain in their local neighbourhood. While connectivity can be a common problem in rural areas, it can also lead to housing need in suburban areas with few public transport options.

Shelter also supports the proposal to encourage LPAs to identify opportunities for villages to thrive, especially where this would support services and help to meet the need to provide homes for local people who currently find it hard to live where they grew up. Such encouragement should not be restricted to rural locations. In towns and cities, the lack of affordable housing can undermine the provision of essential services, such as social care, education and retail. For example, research published by London First⁹ shows that many workers in London are being priced out of living in the capital with social workers, librarians, museum attendants, teachers and postal workers all under extreme financial pressure as a result of rents taking up more than half their salaries.

It can also result in people finding it hard to live in the urban areas where they grew up. For example, Shelter's Manchester Hub reports that people who rely on local housing allowance to cover their rent are having to move from Manchester City and Salford to areas like Oldham. London boroughs are now assisting an increasing number of homeless families into out-of-area accommodation, which is often miles away from the area where they grew up, even if they technically remain within Greater London. This is not an issue that is restricted to the capital - it is also happening in areas such as Oxford and Cambridge. The time and cost involved in travelling back to regularly see close family and friends can be prohibitive, even in areas with good connectivity.

Shelter supports the proposal to give much stronger support for rural exemption sites that provide affordable homes for local people by making clear that these should be

⁹ London First, 12 October 2015, [Housing Crisis: the economic impact revealed](#)

considered positively. However, we would like to see similar support for small sites in more urban settings.

Shelter recommend that Neighbourhood Exception Sites should be allocated in Neighbourhood Plans, based on the rural exception site model, for small housing sites not already allocated in the Local Plan. Neighbourhood Forums could specify aspects of design for the sites, and they would have to provide as many permanently affordable homes as possible. Neighbourhood Exception Sites should also be allowed on green belt sites with no environmental protection status. Neighbourhood Exception Site policy should be stronger than Rural Exception Sites in several ways:

- Neighbourhood Exception Sites should be included in a Neighbourhood Plan and would have to provide as much permanently affordable housing possible. This would be judged against an updated definition of viability, under which a reasonable benchmark land value is calculated, closer to the existing use value of the land.
- As with Rural Exception Sites, Neighbourhood Exception Sites should be delivered in partnership with a Registered Provider to manage the affordable element but could be built by a local SME builder.
- Once a site has been allocated in a Neighbourhood Plan as an exception site it should then have a 20-year legal exclusion from being included in the five-year land supply. This would incentivise landowners to proceed willingly, rather than hold out for a change of policy.
- Neighbourhood Exception Sites should be integrated with permitted development rights so that if the site meets the policies on the Neighbourhood Plan and Local Plan it would not need to go to planning committee. Permitted development means that the promoter (in this case the RP) would simply have to check with the local authority on practical issues such as highways and flooding.

Overall, a Neighbourhood Exception Site policy would give local communities a strong tool to unlock high quality, locally affordable housebuilding on small sites. It would also give them the ability to see this happen quickly with the use of permitted development rights and a strong incentive on the landowner to develop.

Shelter also supports the proposed requirement that at least 10% of sites allocated of residential development in Local Plans should be half a hectare or less. This could increase the supply of land available to small and medium sized builders, as well as allowing for self-build. This should increase the choice of products and styles, and increase industry innovation, capacity and flexibility.

Specifically regarding part (e) of question 8 **Shelter strongly supports LPAs being expected to encourage the sub-division of large sites.** Shelter's New Civic Housebuilding model encourages large sites to be parcelled out in small chunks to multiple builders, including those that are usually excluded from speculative housebuilding schemes, depending on local priorities. In parcelling out these chunks of land SME builders can also be prioritised, which would help to meet other policy goals, such as local employment, off-site manufacture, traditional construction techniques, use of local materials or green building methodologies, or those with strong training and apprenticeship programmes.

Self-builders, custom build firms and community housing groups find it notoriously difficult to secure land, finance and planning permission in a market dominated by the speculative model. New Civic Housebuilding can tap into this huge source of latent demand for small sites, to increase the diversity of the housebuilding sector and help boost local support for development.

Plots can be granted to these builders on preferential terms, such as deferred payment, enabling them to pay for their plots once construction is completed and mortgage finance is more readily available.

The use of mechanisms which encourage locally-led, high quality environments and bring forward development more quickly is also a positive step that Shelter welcomes. New Civic Housebuilding allows for construction contracts for homes on schemes to be highly detailed, specifying the materials and construction techniques to be used, if that is what the plan requires.

Alternatively, as is often the case for custom build schemes, contracts can give the builder discretion as to how the homes are designed and built – within the overall constraints of the masterplan. In either case the emphasis of the contract must be on the build quality – with penalties for contractors that do not deliver.

Strengthening neighbourhood planning and design

If neighbourhood planning and design are to be strengthened, there needs to be a move away from speculative housebuilding, towards New Civic Housebuilding.

Neighbourhood Plans set out a community's vision for an area, including housing to meet local need - but the speculative housebuilding system relies on private developers to bring forward proposals for actual development in the form of planning applications.

In theory, Neighbourhood Plans or strategic or local plans should set land prices. If developers know that to get planning permission they will need to deliver a fixed percentage of affordable homes, or a particular quality or type of housing, then they will factor these costs in when they are pricing and bidding for land. So if a Neighbourhood Plan sets a new, higher level of affordable housing, land values should fall and the proportion of affordable homes delivered should rise.

In practice, however, land values are set by competition between developers, and planning obligations on development are then contested and negotiated on the basis of those values. In addition, growing numbers of planning permissions are determined through the appeal system, rather than through the local democratic process. And viability agreements can put pressure on LPAs to accept poor design, including lower space standards.

Shelter would support exploration of whether a standard methodology could be developed for calculating housing need in a Neighbourhood Plan area. This would enable neighbourhood planning groups to have a better understanding of what type of housing is needed in their local neighbourhood. **However, the NPPF should go still further and require neighbourhood planning groups to take local housing need into account when developing their Neighbourhood Plans.**

The proposal to clarify that local and neighbourhood plans are expected to set out clear design expectations would also be a positive change. Shelter agrees this would provide greater certainty for applicants about the sort of design which is likely to be acceptable – using visual tools such as design codes which respond to local character and provide a clear basis for making decisions on development proposals.

Poor design of new build homes is often a reason that local people oppose new development, and this could be addressed through an improved model of housebuilding that incentivises better design standards. Careful design of space and place is essential to ensure the creation of functioning, stable communities. To address inequality and social exclusion, there should be no tenure difference in design standards.

The NPPF (paragraph 59) already requires LPAs to consider using design codes where they could help deliver high quality outcomes. So it makes sense for this to also apply to neighbourhood planning.

Despite this, Shelter does have concerns that there are significant contradictions in the White Paper between a desire to promote good design on the one hand and the potential withdrawal

of basic space standards and a strong presumption in favour of the densification of new and existing communities on the other.

Shelter opposes any reduction in Nationally Described Space Standards. Such standards are already subject to local discretion and viability and it is vital that newly-built dwellings not only meet the living needs of the households for which they are designed, but are able to accommodate extra occupants should the household expand. For example, homes designed for young singles and couples, may end up occupied by children if the household cannot afford to move to a larger home.

Mandatory space standards and other design features, such as good sound-proofing, are particularly vital in higher density development, to avoid the health risks of cramped living conditions, future overcrowding and neighbour nuisance caused by current or future high child densities.

Shelter agrees that pre-application discussions can be crucial in setting expectations and reconciling local and commercial interests. This would mitigate against local people hearing about schemes late in the day, after a planning application has been submitted, resulting in either late objections, causing delays, or the delivery of poor quality developments.

Shelter also agrees that design should not be a reason for objecting to development. However, if the overall purpose of the building or development is so diminished by the design that its benefits are outweighed, then these objections should be considered.

This would allow for specific sites to deviate from the design set out in expectations in statutory plans if there is a mutually acceptable way to meet housing need. For example, a statutory plan might require the use of traditional building materials (such as local stone) in conservation areas, but if an acceptable alternative could be found for specific buildings to keep homes genuinely affordable, then this should be allowable.

Development Corporations and new Garden Towns and Villages

This section incorporates Shelter's response to question 9

A new generation of new communities

A new wave of powerful, locally led, development corporations would be an ideal model through which New Civic Housebuilding could be driven forwards. **As such, Shelter welcomes the moves in the White Paper to give the Secretary of State the power to appoint local authorities to oversee the development of a new town in their area through a development corporation.** This will make development corporations more locally accountable, and will give local authorities greater opportunities to assemble land and masterplan new communities. This will help to overcome the twin barriers of fractured landholdings and complex equalisation negotiations across affected landowners which so often block large scale new development in this country.

This amendment to the Neighbourhood Planning Bill is a promising move, but more consideration now needs to be given to the overall powers and model of these development corporations that are set up.

It is vital that these development corporations are both properly empowered and have the right structure for ensuring delivery. This means they should be:

- **Focused** – solely tasked with and interested in delivering the vision they are developed for.
- **Resourced** – with sufficient capacity to deliver.
- **Powerful** – able to act independently and decisively to deliver.

In order to enable development corporations to deliver a new generation of high-quality and affordable communities, the Government should create a new policy tool for them – New Home Zones. As outlined in Shelter's [New Civic Housebuilding](#) proposals, these would be a key planning tool for development corporations to unlock large sites quickly, and allow land to be assembled at lower values. They should be seen as an exceptional planning tool to deliver very high quality schemes in the community interest, in addition to what the wider speculative market is delivering.

New Home Zones would need to be introduced into the planning system through several particular reforms.

- **They would need to be specified in the National Planning Policy Framework as exceptional, large scale developments** (over 500 units) where land is assembled and planning is undertaken through the NSIP regime.
- **The NSIP regime would need to be updated** to include large scale, exceptional housing developments.
- **The 1961 Land Compensation Act would need to be amended in two ways:**
 1. An amendment to Section 14 to say that in land designated as a New Home Zone by a planning authority, no account is taken of prospective planning permissions.
 2. An amendment to Section 17 of the 1961 Act so that certificates of appropriate alternative development would cease to apply in those areas designated by authorities.

Once these reforms are made, LPAs would be able to designate New Home Zones, run competitions for their master-plans and acquire land through the NSIP process at a value which reflects the high quality scheme to be delivered. They could then establish a development corporation to act as master-developer: assembling land, including giving landowners the opportunity to invest their land as equity, putting in basic infrastructure, and selling serviced plots to local builders, housing associations, self-builders, Build to Rent providers and others.

Green belt

This section incorporates Shelter's response to questions 10 and 11

Green belt remains an important issue within planning and development in England and it is important that green belt policies across the country are clear and workable. Given the chronic shortage of supply, it is important that policy on green belt allows for appropriate development where necessary. Too often, the debate on green belt becomes polarised between the idea that it must be abolished in its entirety, or that it must be indefinitely protected. Shelter believes that there are situations in which development on the green belt should be considered. However, where development is considered for the green belt it needs to be of a type that adds to the local community. This means:

- Homes that are genuinely affordable;
- Planning in conjunction with local communities;
- High quality, well designed schemes;
- Provision of appropriate infrastructure.

Of the proposed amendments to the NPPF that relate to the green belt, **Shelter is primarily concerned by the suggestion in section 1.39 that relates to Question 10(a): “authorities should amend the green belt boundaries only when they can demonstrate that they have examined fully all other reasonable options”.**¹⁰ There is no dispute that the green belt should be turned to only when other options such as brownfield have been considered. However, an unintended consequence of this change could be to create additional legal barriers for local authorities that feel green belt development to be necessary and appropriate. Inadvertently this could mean that local authorities are hamstrung from delivering on housing through continuous legal challenge. Shelter would, therefore, advise caution and to make sure that any changes to the NPPF do not prevent good development from taking place in appropriate locations.

The other suggested amendments to the NPPF that are laid out within Question 10 – with the exception of part c where Shelter does not take a position – are worthy of consideration. In particular, the changes relating to Neighbourhood Development Orders are a positive step, as are the proposed changes that would see previously developed green belt land prioritised.

¹⁰ DCLG; *Housing White Paper*, February 2017

Shelter also believes that defining particular options for councils to consider would be detrimental. It would make appropriate and necessary development within the green belt difficult, and would operate as a blunt tool when a more nuanced approach is required.

Improving build out rates

This section encompasses our response to questions 21-27 inclusive.

Speculative housebuilding is a model which focuses on the careful deployment of capital and the minimisation of risk. A housebuilder will calculate their bid for a piece of land based on the estimated sales values they believe they will be able to secure in the future. Once they have secured their land purchase, they must then achieve those estimated sales prices, in order to make the necessary return on their investment. This methodology is known as residual land valuation, and can be most easily set out as:

$$\text{land value} = \text{gross development value} - (\text{development costs} + \text{developer profits})$$

Therefore, land value is what is left over from the total value of a scheme, once development costs and developer profits are taken into account. Because the land value is determined at the beginning of the process, the gross sales value (i.e. the price at which the homes are sold) is absolutely critical.

Understanding this aspect of the speculative model is critical to understanding the rate at which new homes are delivered. Housebuilders can only build homes as fast as they can sell them at the desired price – to do otherwise would undermine their asking prices and risk their ability to achieve the return they need.

The Government's focus on speeding up build out rates is welcome: however, any changes in this area need to recognise the underlying challenges posed. There are, however, measures which would help to improve build out rates under the existing speculative model: as a starting point, requiring housebuilders to report against progress of delivering new homes (as per Q21) would be extremely helpful. Equally, taking account of housebuilders' track records (as per Q23 & 24) would help to distinguish where build out rates are being artificially slowed, in comparison to local absorption rates.

In theory, the introduction of measures designed to speed up build out rates should mean that these faster rates of building are factored into future land bids. However, if these measures are perceived by the market to be flexible in any way – for example if the penalties for missed targets are relatively low, or estimated build out rates are negotiable on a site by site basis – then this flexibility will be factored in as an assumption of the land value calculation. We have increasingly seen this since the definition of viability was changed during the introduction of the NPPF in 2012. The NPPF states that:

*“To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide **competitive returns to a willing land owner and willing developer** to enable the development to be deliverable. [emphasis our own]”*

Where there are strong planning policies present, clearly setting out what infrastructure contributions will be required to support new homes, and the proportion of homes that should be affordable, developers will factor these contributions in as costs of development, and calculate the amount they can offer for the land accordingly. However, the 2012 change to the definition of viability, to include ‘*competitive*’ returns to a willing land owner and willing developer’ (rather than ‘*reasonable* returns’) introduced unwelcome gameability to the planning system. It gave developers the ability to argue for lower contributions in order to keep their profits up to what is deemed ‘competitive’ levels.

Developers now factor in this ability to negotiate down their planning obligations when calculating how much they can offer for new land bids. As with changes to space standards, any policy changes that affect development costs or returns are rapidly priced into the land market – and become the new default assumption. If measures introduced to speed up build out rates are perceived by the market to be flexible – in the way that affordable housing contributions are under the current system – then this will be factored into future land bids, and the resultant scheme will not be able to bear that obligation.

In relation to the existing development pipeline, where compliance with new build out rate requirements means undermining the sales prices used to calculate the original land bid, housebuilders may well choose to deliver at their previous pace and simply absorb the cost of a penalty action. It may be that particularly on large sites, where build out rates are most likely to be slow, the financial value to the housebuilder of achieving the forecasted sales values is worth the cost of any such penalties.

It is for these reasons that any serious attempt at tackling slow build out rates will need to be accompanied by a credible threat of intervention if targets are not met. Financial penalties can be absorbed; threats of ramifications for subsequent planning applications will be discarded if the system is perceived to be flexible. If the choice is between accepting a penalty or undermining sales values, housebuilders will likely accept the penalty. Even the threat of removing or invalidating a planning consent will only go so far, as the land would still

be an asset to the housebuilder, which could be sold on with hope value. **The only credible threat, therefore, is that of compulsory purchase, with compensation value to be calculated taking into account a robust interpretation of the no-scheme world principle.**

Getting plans in place

This section incorporates Shelter's response to questions 1 and 3

To ensure good quality place-making, which tackles social exclusion and health inequality, Shelter would like to see the retention of the detailed policy requirements for Local Plans, without duplicating the broader strategic requirements in the new statutory duty.

Shelter understands the reasoning behind the Government's proposal to tackle "expensive, bureaucratic and inaccessible plan-making" by removing the NPPF expectation that LPAs should be covered by a single Local Plan.

The renewed emphasis on joint plans and Spatial Development Strategies is also welcome. Since the abolition of Regional Spatial Strategies in 2010, Local Plans have become the only site-specific spatial framework for England (other than the London Plan). And the current duty to co-operate has largely failed to deliver the vital strategic co-operation necessary to plan effectively for new housing.

However, the proposals may have serious implications in terms of quality of place. Current Local Plans are founded on a Core Strategy, setting out the vision and policy approach of the LPA, accompanied by a site allocation document. Local Plans include detailed place-making standards, such as policies on health, accessibility, good design and green infrastructure.

The White Paper proposes that the expectation would be for these more detailed matters to be addressed through Neighbourhood Plans or more focused development plan documents. However, Shelter foresees two problems with this:

- First, without a clear statutory duty, many LPAs will be unlikely to allocate overstretched resources to preparing detailed development plans. The authorities that are under most extreme financial pressure are often the places with the greatest problems of social exclusion and health inequality, which could be addressed via good quality development.
- Second, in the absence of detailed Local Plans, housing and neighbourhood design standards may be difficult for LPAs to enforce. Neighbourhood Plans allow a community to express its vision, but they are not prepared by LPAs and are subject to different legal duties. If a community does not want to include accessibility standards in its Neighbourhood Plan, then without detailed development plans there is little the LPA could do to require them. In addition, there is less take-up of neighbourhood planning in more deprived areas. If, in these areas, there are no detailed development plans, then poor quality development is made more likely in areas that would benefit most from better quality new development.

Shelter welcomes the proposal that where Spatial Development Strategies, produced by new combined authorities or elected Mayors, require unanimous agreement of the members of the combined authority, regulations will allow them to allocate strategic sites. This would retain local accountability whilst speeding up the process of identifying strategic development sites.

The use of a more standardised approach to assessing housing requirements to speed up and simplify the identification of housing need and demand is also welcome as is the forthcoming consultation on options for introducing a standardised approach to assessing housing requirements.

The NPPF currently states that LPAs should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area. However, it does not recommend a standard methodology and the current approach to assessing housing requirements can be complex and lack transparency. Therefore, a more standardised methodology would:

- Result in a more realistic recognition of the number **and type** of homes that are needed in each locality.
- Make it easier for local people or community groups to understand or challenge assessments
- Prevent unnecessary delays to planning approvals because of lengthy debates during local plan examinations about the validity of the particular methodology used.
- Save public money by removing the need for LPAs to commission planning consultants to produce Strategic Housing Market Assessments.

The forthcoming consultation should aim to address the need for a more sustainable approach to housing development, rather than simply responding to market signals. For example, where more standardised assessment leads to significant increases in housing requirements in regions such as the South East, the only realistic and sustainable way to deliver the homes would be through new settlements or urban extensions, which can best be created through the New Civic Housebuilding model.

With a more standardised approach to assessing housing requirements, LPAs are more likely to take greater note of national housing projections, produced by DCLG. Shelter would, therefore, recommend that work takes place within DCLG to ensure that national projections are complete and up-to-date.

Shelter also strongly supports the commitments made in paragraph 1.16 of the White Paper to strengthen the NPPF to expect LPAs to have clear policies for addressing the housing requirements of groups with particular needs, such as older and disabled people.

These groups should include:

- People in the lowest income bands, who are likely to have need for homes that are affordable within local housing allowance rates and with essential services and amenities within easy reach without having to rely on potentially infrequent or expensive public transport.
- People who need sheltered housing to meet their social care and support needs, such as older people and those with disabilities, including learning difficulties and serious mental health conditions).
- People who would benefit from specialist housing schemes with on-site support before successfully moving on to a separate home (perhaps with 'floating support') in the community.

If the housing needs of such groups are not met via planning policy and appropriate housing delivery, then there will be continued implications for health, social care and temporary accommodation budgets, and national approaches to tackling homelessness, including new legislation, will be undermined. There will also be negative implications for attempts to speed up hospital discharge, prison release and move-on from emergency hostels.

In addition, policies to address the housing requirements of older people must recognise that older people will be more incentivised to downsize or move to a more suitable home if housing developments allow them to:

- Remain within their existing neighbourhood to retain well-established social ties and support.
- Have easy access to essential services and amenities without the need to drive or rely on infrequent or expensive public transport.
- Have access to outside space – at the very least communal gardens, but ideally private space, such as a terrace or patio, particularly where they are vacating a home with a garden.
- Retain the ability to have overnight guests, either appropriate design (e.g. a separate living room that can double-up as a spare bedroom) or via the provision of communal guest rooms on developments.

Shelter supports the proposal that by April 2018, the new methodology for calculating objectively assessed housing requirements would apply as the baseline for assessing five-year housing land supply and housing delivery. This is intended to incentivise authorities to get plans in place, in the absence of an up-to-date local or strategic plan, and it would also introduce a national standard methodology more quickly.

Overall, the Government's proposals to speed up the process of getting plans in place are welcome. However, it is important to bear in mind the reactive nature of the planning system. Although LPAs are able to set plans and policies for development, ultimately they are constrained by the applications which are brought to them by developers. Under the current NPPF definition of viability, developers will continue to be able to argue that conformity with local planning policy is not viable in areas with high land values – regardless of whether or not the LPA has an up to date Local Plan or not. It is for this reason that Government needs to intervene to bring down the cost of land, and to encourage development which puts public benefit ahead of private profit.

Sustainable development

This section incorporates Shelter's response to question 34

Shelter supports the proposal to set out the Government's position on what sustainable development means for the planning system more clearly. The intention is to amend the NPPF to make clear that the definition of sustainable development in the English planning system constitutes:

- The three dimensions of sustainable development: economic, social and environmental.
- The core planning principles and policies at paragraphs 18-219 of the Framework.

Shelter welcomes this proposal as paragraphs 18-219 of the NPPF do not reflect key aspects of sustainable development, particularly social justice and intergenerational equity. The social role of planning, and specifically the need for planning to deliver social justice – both now and for future generations – must not be overlooked.

It would also be good to see the guidance on the social role of sustainable development (housing; design; sustainable communities) strengthened so that it is in line with the previous planning policy guidance – PPS1 Delivering Sustainable Development, so that it emphasises the need for development plans and decisions to reduce social inequality, particularly spatial inequality, and ensure equal access to resources and services.

Defining affordable housing

This section incorporates Shelter's response to question 31

Shelter supports the Government's effort to introduce clarity on what is defined as affordable housing. This clarity would be beneficial to all, including both LPAs and developers. Critically, **Shelter believes that affordable housing should be defined explicitly in relation to income, rather than to market rents – because by definition the latter approach does not take consideration of actual purchasing power.** We therefore feel that in clarifying the definition of affordable housing, Government should take the opportunity to link affordability to local incomes rather than local rents and property values.

One of the primary changes being proposed within the new definition of affordable housing is the introduction of 'affordable private rent' as a new product. Shelter has considered this in more detail in our submission to the Build to Rent consultation. **Our concern is that defining affordable private rent as a form of affordable housing could crowd out the delivery of other affordable housing products without increasing overall supply of affordable homes.**

Shelter recognises that on-site provision of affordable private rent could materially improve the viability of Build to Rent, compared to other affordable housing tenures. But we would prefer to see interventions that improve the viability of genuinely affordable homes, linked to average local incomes and within local housing allowance limits.

That is not to say that affordable private rent has no role to play, and there are situations where Shelter accepts it would be an appropriate product. However, it should not be formally defined as an affordable housing product.¹¹ Affordable housing requirements on Build to Rent developments should be at the discretion of LPAs, so that they are able to meet local need.

Shelter supports the Government's proposal in part b) to introduce an income cap for Starter Homes.

¹¹ More detail on Shelter's position relating to affordable private rent can be found in our response to the Government's Build to Rent consultation, published on our policy library.

Conclusion

In the Housing White Paper, the Government has acknowledged that the housing market isn't working for ordinary families, and hasn't for a generation. It is encouraging to see the first steps being taken towards addressing this. As Shelter has outlined in this response, and through our recent New Civic Housebuilding report, the underlying reason for this broken market is the speculative model that development in England is conducted under.

A model which forces developers to compete on the basis of speculation over future house prices, rather than on quality, design or affordability, simply cannot deliver the number or type of homes that are needed. There are tweaks to the speculative model that could deliver improvements, and the White Paper proposes some measures that would do this. However, there is still a need to address the issue at the heart of the problem: the cost of land.

The value at which land comes into development is central to whether a scheme operates speculatively or under the principles of New Civic Housebuilding. Developers are currently able to artificially inflate the value of land by making aggressive assumptions about negotiating down planning policy obligations. This means that quality and affordability can be traded off and these are not essential factors in determining the value of land. This is compounded by a tendency to build and sell homes slowly to maintain high sales prices.

Put simply, lowering upfront land prices would mean that more of the uplift in value generated by development could be put towards quality, affordability, and supporting infrastructure.

In the first instance there are steps that can be taken – as outlined in the introduction to this response – to improve the speculative model. In particular, measures such as introducing a benchmark value for land would be powerful tools to assist LPAs in ensuring that developments deliver the affordable housing and infrastructure that is required. However, while land costs remain the major barrier, tweaks to the speculative model will only go so far. Building a housing market that delivers for ordinary people means putting community benefit, affordability, quality and infrastructure at the heart of all development.

The White Paper is encouraging in its tone and in many places takes important first steps towards addressing this problem. Shelter welcomes many of the measures being proposed. However, Shelter believes that changes to the speculative housebuilding model, however positive, can only take things so far. Boosting housing supply to 250,000 new homes per year will require bold action by the Government.

The time is ripe for a return to the Civic Housebuilding model that built some of our most successful and well-loved places - such as Edinburgh New Town, the garden cities of Letchworth and Welwyn, and the post-war New Towns.

The White Paper represents the beginning of this process rather than the end, and Shelter looks forward to working closely with the Government to help achieve the goal of a safe, secure and affordable home for all.

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Appendix

Question	Part	Shelter position
1	a	No position
	b	Support – more info on p29
	c	No position
2		No position
3	a	Support – more info on p30
	b	Support – more info on p31
4	a	Support with caveats – more info on p9-10
	b	Support – more info on p10
	c	Recommend further additions – more info on p10
	d	Support – more info on p11
5		Support – more info on p13
6		Land pooling would enable equalisation of land values and diversification of delivery – more info on p13
7		No position
8	a	Support – more info on p16
	b	Support – more info on p16
	c	Support – more info on pp16-17
	d	Support – more info on p17
	e	Support – more info on p18
	f	No position

9		Streamlined planning procedures such as powerful development corporations will be critical to supporting innovation and high quality development in new garden towns and villages – more info on p21
10	a	Oppose due to unintended consequences – more info on p23
	b	Support – more info on p23
	c	No position
	d	Support – more info on p23
	e	Support – more info on p23
	f	Support – more info on p23
11		Oppose – more info on p24
12	a	Support – more info on p19
	b	Support – more info on p19
	c	Support – more info on p19
	d	Support – more info on p20
	e	No position
13	a	Support – more info on p14
	b	Support – more info on p14
	c	No position
	d	No position
14		In areas with a shortage of land and high housing need – more info on p14
15		Support the proposition, with no further comments
16	a	No position
	b	No position

	c	No position
17	a	Support – more info on p19
	b	No position
	c	No position
18	a	No position
	b	No position
	c	No position
19		No position
20		Support, with no further comments
21	a	Support – more info on pp25-27
	b	Support – more info on pp25-27
	c	Support – more info on pp25-27
	d	Support – more info on pp25-27
22		No position
23		Support – more info on pp25-27
24		Support – more info on pp25-27
25		No position
26		No position
27		No position
28	a	Support with no further comments
	b	No position
	c	No position
	d	No position

29	a	No position
	b	No position
	c	No position
	d	No position
	e	No position
30		No position
31	a	Support with caveats – more info on p33
	b	Support – more info on p33
	c	Oppose – more info on p33
	d	No position
32	a	No position
	b	No position
33		No position
34		Support – more info on p32
35	a	No position
	b	No position
36		No position
37		No position
38		No position