

Consultation

Response

Technical

Consultation on

Updates to National

Planning Policy and

Guidance

Our vision for a fit-for-purpose method of assessing housing need

We welcome government's consultation on recent updates to national planning policy and guidance. We would like to take this opportunity to provide our thoughts on how strategic and local authorities should be assessing housing need, including the need for social rent homes, with two aims in mind:

- a) the need to assess housing need as robustly as possible to ensure sufficient development is planned for overall, both to meet housing need and to promote sustainable growth
- b) the need to assess housing need in ways which will enable the development of effective policies for increasing build out rates and overall supply

The standard method of assessing housing need is the foundation of the government's current approach to promoting increased housing delivery through the planning system, by way of the requirement for local authorities to demonstrate a five-year supply of deliverable sites, the Housing Delivery Test and the application of the presumption in favour of sustainable development.

It is therefore critical that the method of assessing housing need includes all the information policy-makers, planners, decision-makers, the development industry and the community need to understand local housing markets, and to build up a full profile of local housing need and demand. This must include the need for social rent housing, which is now acute and urgent in many areas. Shelter recommends that this information should then be used to inform policies and resource allocations at the local, regional and national levels to ensure that the development that comes forward can respond to local demand and truly meet local need.

A local authority with strong demand for social rent homes should:

- demonstrate how they will meet this need through existing policies and mechanisms.
- Clearly identify any gap between likely provision and need once all delivery options have been exhausted.
- The remaining gap should be filled through additional powers from central government or additional resources from central or regional government and their agencies.

For example, where a local authority with unmet need for social rent housing can evidence a high proportion of schemes coming forward with fewer than 10 units, to which section 106 does not usually apply, they should be allowed to start requiring developer contributions on such schemes until the gap between need and delivery has been closed.

While these changes are outside the scope of this consultation, in the long-term this way of working is the only way to produce plans which will actually meet housing need. A well-functioning policy framework for assessing housing need, and supporting authorities to meet this need, must: (1) enable authorities to identify the reasons behind them not meeting their supply targets; and (2) ensure that the powers and resources needed to meet housing need are in place and compel action to ensure they are used.

Our concerns with the standard method for assessing housing need

We are concerned that the current standard method of assessing housing need does not achieve this. While the method includes an adjustment to enhance the assessment of need in areas with high house price to income ratios, these ratios provide an imperfect picture of affordability pressures, particularly

in areas of the country with relatively large gaps between the average incomes of homeowners and renters.¹

In any case, where adjustments for affordability apply, they result only in modest increases in the overall housing need number. The effect, in policy terms, is to tell the planning system to allocate more land for housing. However, simply releasing more land into the housebuilding system is unlikely to produce positive outcomes for the affordability of housing.

As the recent independent review of build out rates led by Oliver Letwin found in relation to large sites,² the homogeneity of UK housing output – and above all over-concentration on market sale homes – places fundamental constraints on build out rates, and so on overall supply. The system will not automatically respond to increased land allocations by building more market homes, because the demand for those homes has not been increased – only the choice over where to build them.

In theory, this demand barrier could be overcome if developers were to sell market homes for less than current unaffordable prices. However, in practice land is traded at a price that predetermines eventual sales prices to a large degree. Indeed, as the Letwin Review found, the assumption that housing supply in a local area will never increase to the point where the current prices of second-hand homes in the local market are forced downwards is baked into the standard methods of valuation for new housing and for development land.³

Nor will the housebuilding system automatically respond to increased land allocations by building more homes that are affordable or homes aimed at specific groups like older and disabled people, for which current demand is far from exhausted. Once land has been traded on the assumption that it will be used to build market homes with prices similar to those in the second-hand market in a given area, a developer which tried to build more affordable or inclusively-designed homes of whatever tenure on that land would in most cases be unable to make back the money on their initial land trade, unless accessing public subsidy. Shelter has seen no evidence that compelling local authorities to give out more planning permissions consistently or meaningfully reduces landowners' price expectations. We therefore believe that more planning permissions will not increase the development of the social rent and specialist homes that we desperately need.

Ultimately, the most powerful action the government could take to drive up build out rates is to diversify output. Building more social rent and other affordable housing on new developments would allow housebuilders to tap into different sources of demand, building more homes faster overall. Given the acute housing affordability pressures in many areas of the country, there is also an urgent need to provide *sub*-market homes which will be genuinely affordable to those who need them most, above all through increased delivery of social rent homes.

Bearing these points in mind, government should rethink both the standard method for assessing housing need, and the policy context around the method to ensure the planning system can play its full part in meeting housing need. Above all, we believe the standard, required method for assessing housing need should reflect the need for different types and tenures of housing, and that local planning authorities should be empowered and incentivised to meet this need. However, we remain concerned that affordability challenges and needs for specialist housing, for example for older and disabled people, will not be addressed by a method which sets out to deliver a single unit target.

¹ G. Meen, [How should housing affordability be measured?](#), UK Collaborative Centre for Housing Evidence, 2018, p.23

² [Independent review of build out: draft analysis](#), 2018, MHCLG, p.12

³ *Ibid.*, p13

We are specifically concerned that:

1. *The standard method for assessing housing need leads to an underestimation of housing need*

To begin to address our housing crisis, we need strategic and local authorities to have the tools to calculate overall housing need for their boundaries as accurately as possible. Developing accurate housing need figures will mean that authorities can develop robustly identified need-based housing supply targets. Having these robust targets will smoothen the housing delivery process as local stakeholders will have confidence in the targets meaning the targets will be more quickly adopted within the Local Plan. Subsequently, authorities will have the evidence base and policy base to ensure that new housing supply in their area contributes to meeting identified need.

But, the standard method for assessing housing need contains two fundamental flaws which will affect its ability to ensure that housing supply targets are based on an accurate assessment of need.

Firstly, there are problems with the use of a cap within the standard method. We recognise government's desire to ensure that any increases in housing requirement arising from application of the standard method of assessing need should be sustainable. However, we are concerned that the cap will lead to gross underestimations of housing need requirements in certain cases. For instance, for cases falling under example 1 within the housing need assessment guidance⁴ where authorities' old housing requirement may have represented a significant underestimation of housing need in their boundary. In these cases, authorities' new housing requirement will end up being based on a capped level of a previously underestimated figure. So, the new housing need requirement will represent a gross underestimation of actually existing need.

Secondly, aside from affordability concerns, the standard method formula does not account for other important factors that may require uplifts in authorities' housing need figure. As a recent Lichfields report highlighted,⁵ a key missing factor is how to calculate uplifts that are required as a result of projected substantial increases in employment. There is a clear government objective within paragraph 81 of the NPPF for planning authorities to positively plan for sustainable economic growth and for authorities to consider investment necessary to meet anticipated needs arising from future economic growth.⁶ One such need is need for housing to support future population growth arising from enhanced employment opportunities.

As the standard method does not require that local authorities assess this element of housing need, there is a real prospect that authorities with ambitious economic growth plans will arrive at a housing need figure that underestimates the full extent of their housing need, particularly given that many authorities feel under pressure from local residents not to exceed the minimum figures provided by the standard method. The *option* to produce larger housing need figures to account for housing need arising from economic growth or other factors is therefore unlikely to result in higher housing delivery.

⁴MHCLG (2018), *Guidance: Housing Need Assessment*, Available: <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>.

⁵Lichfields (2018) *The 2016-based Household Projections for England*, Available: https://lichfields.uk/media/4495/lichfields_the_2016_based_household_projections.pdf

⁶MHCLG (2018) *National Planning Policy Framework*, p. 23, Available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf

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2. *The standard method will result in a single need figure which does not reflect the full range of need and demand, in particular the need and demand for social rent housing*

When government consulted on the standard need method as part of its 'Planning for the right homes in the right places: consultation proposals', Shelter was concerned that there was no requirement for, or guidance on how, authorities should assess their need for: (1) a range of affordable housing tenures, including social rent housing, and types; and (2) housing for specific groups, e.g. older people and disabled people.

In September 2018, Government released guidance which indicates that "Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or cannot meet their housing needs in the market."

We are however concerned that this wording does not translate into a strict requirement for authorities' subsequent housing supply targets to include a breakdown of affordable housing needed for their borough, crucially including social rent housing.

Government has demonstrated its ambition to see local authorities more empowered to meet the need for social, affordable and other types of housing locally, for instance through the welcome removal of the local authority borrowing cap. However, unless planning authorities' assessments of the need and demand for different affordable housing tenures and types carries at least the same weight in planning policy- and decision-making as the outgoing SHMA system, local authorities' housing supply targets will not reflect the need for different affordable housing tenures and types, in particular social rent housing. The risk is that we will see less social rent and other affordable housing delivered through the s106 system compared to what *could* be delivered, and certainly compared to what is needed.

This is troubling at a time where recent analysis we have conducted indicates that there are nearly 277,000 people recorded as homeless in England, and that this number is increasing.⁷

Government guidance should state that authorities' assessment of their full range of affordable housing need should carry the same policy-setting and decision-making weight as the outgoing SHMA system does now. Authorities will then have a basis from which to proactively plan development to meet housing need where this is needed, and to challenge housing proposals from developers with poor levels or mixes of social rent and other affordable housing, or which fail to make a reasonable contribution to meeting local housing need for other reasons. This is even more significant given the definition of affordable housing in the new NPPF has removed the reference to affordable housing meeting the needs of specified "eligible households". This previously formed part of the basis from which councils could argue for social rent housing over other types of affordable housing when negotiating Section 106 agreements with developers. The new definition of affordable housing clarifies that affordable housing is for "those whose needs are not met by the market". Given this new definition, alongside the absence of a requirement for authorities to set a social rent housing target, it is not clear how councils can secure social-rent housing over other types of affordable housing from developers, even in the areas where this will be the only way to meet local housing need.

⁷ Liam Reynolds (2018) *Homelessness in Great Britain – The Numbers Behind the Story*, Shelter [Online], Available:

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/research_homelessness_in_great_britain_-_the_numbers_behind_the_story

3. *The framework for assessing need does not consider how to enhance planning authorities' capacity to meet their own housing need*

This is fundamentally a question of what purpose we want our standard method of assessing housing need to serve, beyond enabling authorities to accurately estimate their housing need.

Authorities' use of a housing need assessment should also act as a tool that enables them to gain wider powers to ensure that delivery matches need. Currently, under the housing delivery test rules, if authorities deliver less than 95 percent of their requirement they must prepare an action plan outlining how they will boost house-building. If they deliver less than 85% then they must identify a buffer of 20 percent more sites. If they deliver less than 25% (in 2019 this will be 45% and in 2020 this will be 75%) then they face the prospect of developers being able to push through housing for appeal, if even the schemes should be rightly rejected for failing to properly address specific elements of housing need, e.g. social rent housing.

We appreciate the government's aim for the housing delivery test to work alongside the standard method to increase housing supply. But, the method for achieving this within the housing delivery test is highly unlikely to achieve government's intentions. The primary reason is that it does not deal with authorities' capacity to ensure the delivery of housing at the scale, speed or diversity required to meet identified need.

The Letwin Review of build out rates has clearly identified that our current developer-led housebuilding model does not enable housing development at the scale, speed or diversity required to meet all identified need. Yet, authorities lack the capacity—i.e. compulsory purchase powers that could bring forward more land for development affordably, a lack of access to (affordable) land (which is held by developers), sufficient grant, resourcing and skills—to either force developers to build the housing we need or build this housing themselves.

Our recommendations for making the standard method fit-for-purpose

In light of our concerns, we believe that the government must make fundamental changes to the standard need method, and the surrounding policy framework, so that it can actually give authorities the tools they need to identify and meet the full range of their housing need.

In making changes, we recommend that government should:

1. Remove the cap requirement as part of the housing need assessment as this inhibits the ability of authorities to ensure that 'a sufficient number and range of homes can be provided to meet the needs of present and future generations.'
2. Ensure that the standard method for assessing housing need also requires authorities to assess need arising from economic growth.
3. Make clear that housing need assessments should comprise an assessment of affordable housing need, including social rent housing, with this assessment of affordable housing need carrying the same weight as SHMAs do now. Then, it will be possible for authorities in their local plan to set an overall housing need figure with a need for different types of affordable housing, including social rent housing, sitting within that.

Assessment of the full range of affordable housing need should be based on projections of newly arising need for different affordable housing tenures and types and existing households falling into different types of affordable housing need. As in existing government guidance, estimations of need for different affordable tenures and types, in particular social rent housing, should be made with reference to:

- the number of homeless households;
- the number of those in priority need who are currently housed in temporary accommodation;
- the number of households in over-crowded housing;
- the number of concealed households; and
- the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings)

We would also add that it is vital that assessments of social rent housing need also take into account:

- the number of households on the social rent housing waiting list who are not in priority need,
 - Households who are not on the social rent housing waiting list who are in priority need.
4. Include amendments in guidance on housing need assessments and the housing delivery test to state that where authorities are failing to meet identified need, government will intervene to provide extra powers and resources to authorities that will help them to increase build out rates and overall supply in order to meet their housing need targets.
 5. Amend the definition of deliverable to remove the words 'be achievable with a realistic prospect that housing will be delivered on the site within five years'. Replace this phrase with 'demonstrate how they will meet the need for homes of particular types, tenures and prices for which effective demand exists'.

Responses to consultation questions

We would like to reiterate that in responding to these consultation questions, we do not think that the standard method for assessing housing need, the associated guidance, or the broader policy framework within which these sit are fit for purpose. Government should ultimately make our recommended amendments to the standard method before considering:

- what house projections should inform the assessment of need;
- the approach to applying a cap to spatial strategies;
- whether to go ahead with the proposed clarifications of footnote 37 and the glossary definition of local housing need within the NPPF; and
- whether to go ahead with the proposed clarification to the glossary definition of deliverable.

But, if government chose not to alter the standard method, and associated guidance, then these are our responses to the consultation questions.

Q1: Do you agree that planning practice guidance should be amended to specify that 2014-based projections will provide the demographic baseline for the standard method for a time limited period?

Yes.

Shelter agrees that the planning practice guidance should indeed be amended to specify that the 2014-based projections should be used to provide the baseline for future assessments using the standardised Local housing need assessment.

The household projection methodology is used, rather than a forecast, because understanding household formation is complicated, so a modelled estimation is undoubtedly challenging to achieve. Implicitly by using a projection government has understood that the best way of assessing the likely growth in household numbers is to look at previous trends. If circumstances remain the same, we assume that household formation will take a predictable path.

Importantly, most are in agreement that households can be constrained in forming a household if there is no home to occupy; equally household formation could be constrained from aspiring households not being able to afford to occupy a home of their own.

The deviation of MHCLG's household projections – now handed over to the ONS – from the actual household count is troubling from a housing supply perspective. The table below shows the error between the *projected number of households* and the actual observed estimate of households – the estimation error – by projection year, and including the 2015 and 2016-based projections.

Household Projection estimating error 2008 – 2016

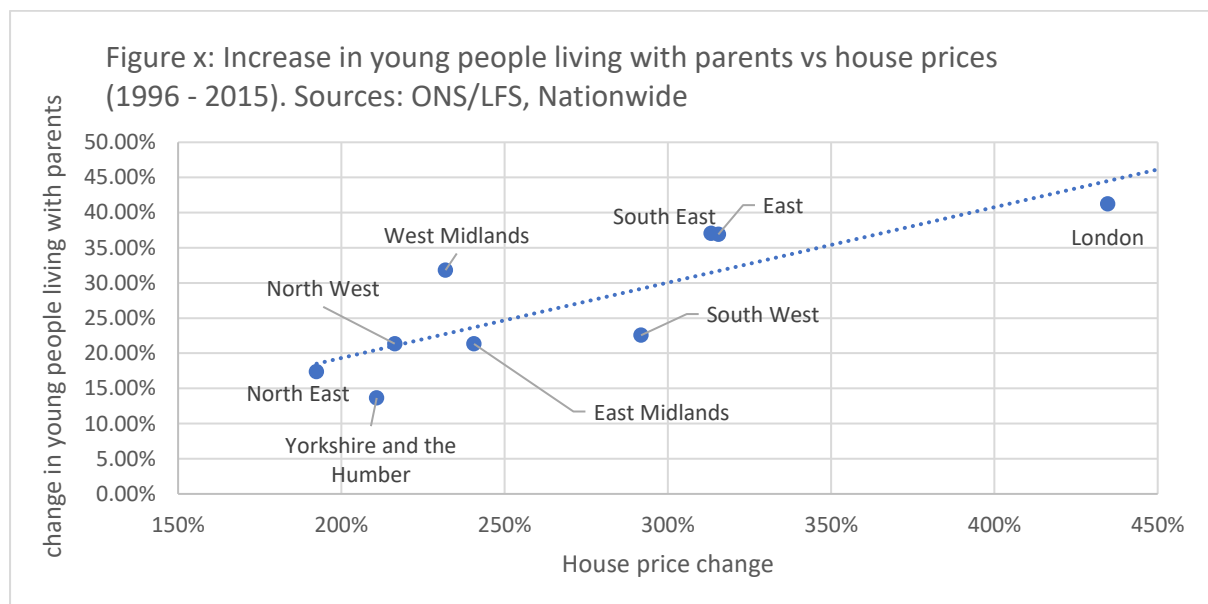
Year	2008-based HHPs	2011-based HHPs	2012-based HHPs	2014-based HHPs	2016-based HHPs	Household estimates (thousands – 000)
2001	0.5%	0.5%	0.5%	0.5%	0.2%	20,416
2002	0.0%		-0.2%	-0.2%	-0.6%	20,685
2003	0.2%		-0.1%	-0.1%	-0.6%	20,781
2004	0.7%		0.3%	0.3%	-0.3%	20,820
2005	0.6%		0.1%	0.1%	-0.5%	21,036
2006	0.6%		0.0%	0.0%	-0.7%	21,211
2007	0.8%		0.2%	0.2%	-0.6%	21,349
2008	0.7%		-0.1%	-0.1%	-0.9%	21,589
2009			0.1%	0.1%	-0.7%	21,716
2010			0.2%	0.2%	-0.6%	21,867
2011		0.1%	0.2%	0.2%	-0.4%	22,069
2012		0.7%	0.6%	0.6%	-0.2%	22,172
2013	3.0%	1.5%	1.3%	1.3%	0.4%	22,209
2014		2.1%	1.9%	2.0%	0.9%	22,292
2015		1.8%	1.6%	1.8%	0.4%	22,584
2016		2.6%	2.4%	2.7%	1.2%	22,623
2017		3.3%	3.1%	3.4%	1.6%	22,695

As can be seen in each iteration of the projection, the magnitude of the error between the in-year estimation (the right-hand column given in numbers of households by the thousands) and the

projected values has grown as time has passed. What these numbers show is that from around the time of the last recession the use of a projection methodology to predict household formation has begun to fail. It is noticeable that, despite the ONS amendment to the projection methodology, it appears as if their 2016-based projections will also soon deviate substantively from the actual household count.

These deviations could be the result of changes in preference which are not captured in the data currently available to MHCLG (for example it is possible that households now prefer to live as larger family units). However, based on the wider evidence and the many cases we see through our services, we strongly believe this is because housing costs, resulting in some part from the undersupply of housing, are forcing more and more younger people to postpone forming a household for longer.

The chart below shows the increase in households that have non-dependent children still living at home; and is an indication of this issue – many of the regions with the highest housing costs have seen some of the highest increases.



A move towards accepting the new (2016-base) methodology for projections would in effect be a hardwiring of unaffordability into our already underperforming housing system, and should be avoided at all costs.

It should also be noted here that the ideal approach to predicting the need for future housing supply would be to generate a predictive model of household formation that includes a measure for affordability. This would mean a level of need could be set that would support more affordable outcomes for local areas. While the motivations to form a household are diverse and complex, affordability is accepted as a key contributor to decision making process⁸. The current projection approach implicitly includes housing costs because it looks at previous trends, however it does not quantify the impact of changing affordability. This is why the update to the current *projection* approach is so poorly conceived, as it accounts for worsening affordability (by omitting census data from the 20th century – when affordability issues were less acute – from the estimation) but does not

⁸ For example see Matsudair, J, D; Economic conditions and the living arrangements of young adults: 1960 to 2011 (2016) Journal of Population Economics or Paciorek, A; The long and the short of household formation; (2016) Real Estate Economics.

attempt to quantify this change so that the reduced household numbers are not understood in terms of worsening affordability.

Shelter recommends further work is needed to better predict an optimal level of housing supply based on key determining factors and specifically the affordability of an area.

Q2: Do you agree with the proposed approach to not allowing 2016-based household projections to be used as a reason to justify lower housing need?

Shelter agrees with the proposal that the 2016-based household projections should not be used as a justification for lower housing need targets.

The household formation projections, while a sophisticated methodology, are also at heart a very simplified approach to thinking about the evolution of the housing population going forward. The 2016-based methodology is simpler still as it uses fewer census data points to estimate future household formation. This decision is in effect an attempt at improving the fit of a projection to the actual picture; it is not a correction of the methodology to better understand the housing ambitions of the population of England.

For those households that do chose to form despite the high cost of housing, ownership is often not an option, leaving only the private rental sector. McKee and Mihaela Soaita (2018)⁹ illustrate the challenges of this tenure for low income households. Their study gives an account of the housing system for low income groups that is very familiar to the advisor and support staff at Shelter; housing costs are high and tenants find it very hard and sometimes impossible to find accommodation that meets their needs. One of the paper's key recommendations is the need for more affordable housing across all tenures, and that they should be in reach of low to middle income households. For many this means this housing must be at social rent levels. Accepting the 2016-based housing projections would, given the evidence that households are constrained because the undersupply of housing, amount to a failure on the part of a local authority to try to meet their obligations to support local residents.

Furthermore, the idea of using a flawed statistic to minimise the targets for housing supply is contrary to the aim of the process. Government should be looking to identify areas that are unable to meet the objectively assessed housing need and look to solve the local issues that block the necessary supply.

Q3: Do you agree with the proposed approach to applying the cap to spatial development strategies?

No

There are two levels to our objection to this proposal.

The first reflects our already articulated concern about the ability of the standard method to provide accurate assessments of housing need. Of relevance here is the point that applying the cap may lead to an underassessment of housing need. As previously stated, this is a particular risk for cases falling under example 1 within the housing need assessment guidance¹⁰ where authorities' old housing requirement may have represented a significant underestimation of housing need in their boundary.

⁹ McKee, K; Mihaela Soaita, A; The 'frustrated' housing aspirations of generation rent; August 2018 CaCHE.

¹⁰MHCLG (2018), *Guidance: Housing Need Assessment*, Available: <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>.

In these cases, authorities' new housing requirement will end up being based on a capped level of a previously underestimate figured. So, the new housing need requirement will represent a gross underestimation of actually existing need.

For this reason, we are in principle against the use of a cap within the standard method, whether it is for a spatial development strategy or a local plan.

Our second objection to this proposal arises from concerns that the government's proposal will lead to inconsistencies between the spatial development strategies capped requirement and the amalgamated capped requirements within a strategic authorities' boundary. If there are inconsistencies between the capped housing requirements of spatial development strategies and local plans, then there will be confusion in the planning process about what housing need figures local authorities will be required to meet. Significantly, there will be confusion about what capped figure should provide the basis for determining the authorities' five-year housing land supply. The concern is that spatial development strategies will provide an inaccurate basis for determining five-year housing land supply requirements for strategic planning authorities.

Recommendation: When applying the cap to spatial development strategies, it should be based on the amalgamated housing need requirement for individual constituent local authorities. Applying the cap in this way will ensure that the capped overall housing requirement for the strategic area is always consistent with the amalgamated capped requirement for individual local authorities. As constituent local authorities conduct new housing need assessments and develop new capped housing need requirements then it will also be possible to easily update the capped housing need requirement within the spatial development strategy. There will then be no ambiguity about what housing need figure authorities should use as the basis for determining their five-year housing land supply.

Q4: Do you agree with the proposed clarifications to footnote 37 and the glossary definition of local housing need?

Clarification 1:

"Amend footnote 37, to add at the end: "Where local housing need is used as the basis for assessing whether a five year supply of specific deliverable sites exists, it should be calculated using the standard method set out in national planning guidance"."

No

Our objection to this clarification is shaped by our belief that the standard method for assessing housing need represents an insufficient basis for assessing whether a five-year supply of deliverable sites exists. As we have already commented:

- the standard method does not enable authorities to robustly assess the full extent of housing need.
- The method does not strictly require an affordable housing need figure, to sit within the overall housing need figure as identified by the standard method
- the standard method, and its interplay with the Housing Delivery Test, do not enable the development of effective policies or provide authorities with sufficient powers to increase build out rates and overall supply in ways that address identified housing need.

Recommendation: For this amendment to be acceptable, a fit-for-purpose method for assessing housing need should be developed. This standard method should be informed by the considerations, principles, and inputs outlined in our introductory statement.

Clarification 2:

“Amend the definition of local housing need in the glossary to: “The number of homes identified as being needed through the application of the standard method set out in national planning guidance (or, in the context of preparing strategic policies only, this may be calculated using a justified alternative approach as provided for in paragraph 60 of this Framework)”.”

We welcome the proposal that planning authorities can use a justified alternative approach to assessing housing need when setting strategic policy. We have already raised significant concerns that the standard method for assessing housing need does not equip authorities with sufficient tools to assess the full range of their housing need. In summary, our concerns were that:

- 1. The standard method for assessing housing need leads to an underestimation of housing need. i.e. because of the implementation of capped housing need requirements*
- 2. The standard method will result in authorities adopting a single need figure which will not necessarily result in a full breakdown of need, for instance for social rent housing*
- 3. The framework for assessing need does not consider how to enhance planning authorities’ capacity to meet their housing need*

Therefore, it remains important for authorities to retain the flexibility to adopt a justified alternative approach to addressing need when this approach enables to develop a more accurate picture of need than they would get under the standard method. E.g. where an alternative approach to assessing need would allow them to arrive at an uncapped figure of housing need or where it would allow them to identify need for social rent housing.

However, we do not fully agree to this clarification as the definition of local housing need is still defined in relation to the standard method for assessing need, which we have already raised significant objections over. However, we would support a definition of local housing need that is based on standard method which incorporates all of the recommendations put forward in this consultation response.

Recommendation: Government should adopt a definition of local housing need that is based on a standard method which incorporates all of the recommendations provided in this consultation response, including in our introductory statement.

Q5: Do you agree with the proposed clarification to the glossary definition of deliverable?

We welcome the intention to provide a clear definition of deliverable, and we would agree that the proposed new glossary definition is clearer than the existing definition with respect to the status of schemes that are not major development and have only an outline planning consent. However, we do not believe that either the proposed or the original definition of deliverable are meaningful or fit for purpose.

While local housing need itself is made up of a complex picture of demand for housing of particular types and tenures and at particular price points, the standard method for assessing housing need expresses this as a single unit target. This then determines the five-year land supply and housing

delivery numbers local authorities must demonstrate if they wish to avoid the presumption in favour of sustainable development. However, when developers then apply for planning permission to build on this land, the schemes they propose have an overwhelming tendency towards homogeneous market sale housing at similar prices to existing, unaffordable second-hand market homes – even if there is a high need local for social rent or other specific kinds of homes.

Local authorities are able to require some affordable housing on these schemes through the Section 106 system. However, policies on developer contributions are decided not on the basis of housing need, but on the basis of negotiations between councils, landowners and developers as part of the Local Plan process in which housing need is only one component. The resulting tenure mix on schemes remains weighted in favour of market housing to a far greater extent than would be justified by a robust assessment of housing need.

In other words, a high housing need figure arising from an acute need for social rent homes, or more homes tailored to the needs of specific groups, translates into more planning permissions for unaffordable market sale homes for which demand is limited. To define homes permitted in this way as “deliverable” simply because the land on which they could be built has been identified and agreed is problematic in the extreme. The current system, and the definition of deliverable within this, risks producing an absurd situation in which all actors in the planning and development processes know that many homes will not be delivered because of market absorption barriers, but nevertheless agree that the homes can be delivered for the sake of achieving a desired allocation or demonstrating five-year land supply.

While the proposed definition of deliverable does include a provision for sites or housing to be considered undeliverable where there is ‘clear evidence that homes will not be delivered within five years’, it is difficult to see how such clear evidence will be provided. Market risk, and the difficulty of predicting its effects on the demand for market sale homes, make it difficult to prove one way or the other whether market absorption barriers will limit deliverability. In any case, the definition requires only that ‘housing will be delivered on the site within five years’ or ‘housing completions will begin on site within five years’, not that the scheme in its entirety is genuinely deliverable in the allotted time.

Ultimately, local authorities have limited powers to see that the land they allocate for housing is actually built on and the homes their residents need are actually delivered. Planning authorities can increase the supply of land with planning permission and work to make the planning process more efficient, but they cannot force developers to build, and have limited powers to influence the market conditions which would encourage more market supply. In order for the standard method of assessing housing need, five-year land supply and the housing delivery test, to drive up overall supply as intended, the accountability for housing delivery must come with powers and resources to achieve it.

Above all, government must take action to reduce the price at which land comes into development, enabling a greater diversity of homes to be built. This should include powers for a public body - like a local authority or a development corporation – to compulsorily purchase land at prices which exclude ‘hope’ value, so that where it is clear that a scheme has been designed too homogeneously to effectively tap into local demand, the planning authority is able to promote a new, more diverse scheme. At present, this possibility is excluded because the planning authority would have to pay for land at a price that assumed the same homogenous, undeliverable scheme. For more information about Shelter’s policy proposals for driving up overall supply to truly meet housing need, please see our New Civic Housebuilding report.¹¹

¹¹ Jefferys, P. and Lloyd, T., [New Civic Housebuilding](#), Shelter, 2017

Recommendation: Amend the definition of deliverable to remove the words ‘be achievable with a realistic prospect that housing will be delivered on the site within five years’. Replace this phrase with ‘demonstrate how they will meet the need for homes of particular types, tenures and prices for which effective demand exists’, as identified in a reformed standard method of assessing housing need.

For further information about this consultation response, please contact cecil_sago@shelter.org.uk.