

Planning for Less



December 2012

The impact of abolishing regional planning

Alex Morton

Executive Summary



- This research note looks at the impact of revoking Regional Spatial Strategies (RSSs) on housing targets. It also finds the Coalition is in danger of overseeing the lowest total number of new homes built as a government since at least before the 1920s. It notes that on balance councils have responded to the impending RSS revocation by reducing housing targets. Of those councils with data by mid-2012, then 57% had reduced their housing targets.
- The Regional Spatial Strategies were introduced by the last government, as part of its drive to raise the building of new homes in England following the Barker Review. This identified a lack of land as a key issue for housing. To that end each English region was effectively set a target by Whitehall to produce a given number of housing completions to match household population projections. The system, which never applied in London, was widely resented by local authorities. In 2009 the Conservatives promised that they would abolish it should they be elected. In the summer of 2010 notice of revocation was given by the incoming Coalition.
- The hope was revoking the over-bearing RSS system would lead to councils increasing their housing targets. This has not happened, as shown by research on the effect of revocation from the leading planning and development consultancy Tetlow King Planning. Their report into how local authorities across England have responded to the revocation of the RSSs accompanies this note. It shows since 2010 councils in England have reduced the number of planned new homes by 272,720 dwellings.
- As discussed, the housing figures for each region and local authority set under the RSSs were not met by the system as a whole, or most individual local authorities. For inevitable

structural reasons targets set by local authorities were almost always above the actual level of completions achieved in recent years, even before the credit crunch struck.

- The overall system has never delivered the homes that we need. It never even hit the targets it set. There is a danger Ministers focus too much on the issue of trying to push through higher targets. They should instead focus on fixing the more complex underlying issues that prevent us from reaching the targets. Only where councils are blatantly ignoring their responsibilities should they intervene. Pushing from the centre was tried in the 1980s, a system termed 'planning by appeal'. It did not work either practically or politically.
- Instead issues around rewarding local people near development not Local Authorities should drive forward change. The Community Infrastructure Levy must go to local people. It should be emphasised neighbourhood plans trump local plans. Work on areas like self-build and changing developer models of land procurement and construction is needed.
- Tetlow King Planning's research was conducted last summer and provides a snapshot across England at the end of July 2012. If the Government does not agree with the broad data which shows that the overall effect of RSS revocation has been a reduction in planned housing targets by councils, a set of official figures would be welcome.

Revoking Regional Spatial Strategies was supposed to enable the building of more homes



David Cameron said in the 2010 general election leadership debates that there was a housing crisis. He commented as part of the solution that; *"We've also got to build more houses. I think there's no doubt in my mind that we've got to change the planning system right now."*¹

As part of this, in 2010 the new Government sought to revoke the Regional Spatial Strategies (RSSs). At the time the incoming Secretary of State for Communities and Local Government, Eric Pickles, expressed the hope that scrapping regional planning would build the homes we need; *"Revoking, and then abolishing, regional strategies will mean that the planning system is simpler, more efficient and easier for people to understand. It will be firmly rooted in the local community. And it will encourage the investment, economic growth and housing that Britain needs."*² (Our underlining).

In *Making Housing Affordable*, published in August 2010, Policy Exchange argued that this shift was unlikely to result in the homes we need. We warned; *"The current reaction to the new government's scrapping of house building targets supports this thesis, with almost all councils promising 'no new homes' in their area – something that should be ringing very loud alarm bells in government."*³

After the revocation of RSSs councils cut the homes planned – especially in high demand areas



Once the RSSs were revoked, local authorities regained the ability to set housing targets in their area. Tetlow King Planning's report, commissioned by us to show how this has impacted on housing targets show a reduction in the number of homes proposed. By July 2012, official Local Planning Authorities announcements showed a total reduction of 272,720 dwellings across England compared with the previous RSS targets. As the table below shows the largest reductions are in the South East and South West, both areas with major housing shortages.

It should be noted one factor in these shortfalls is that many councils never hit their existing RSS targets. Now the RSS have been lifted they are no longer obliged to make up any shortfall, although the 'need' these homes were supposed to fulfil has not disappeared. The people and extra households have materialised - but not the new homes. Tetlow King Planning calculate that this accounts for about a quarter of the reduction of over 270,000 planned new homes they uncovered.

Table 1: Reductions in Local Authority Planned Housing figures			
Region	Cuts in planned housing totals	Regional % change	Reduction/increase in future housing required
North East	3,919	2.58%	6,955
North West	-17,811	-3.36%	3,545
Yorkshire and Humber	-10,911	-2.37%	-5,036
East Midlands	-25,793	-5.70%	-19,485
West Midlands	-31,559	-8.03%	-25,540
East of England	-25,136	-4.59%	-24,437
South East	-57,049	-8.80%	-42,808
South West	-108,380	-18.28%	-98,243
Total (based on RS regional totals)	-272,720	-7.24%	-205,049



One response to Tetlow King Planning’s findings is that these cuts in planned housing numbers don’t matter since the RSS targets were never achieved. Eric Pickles called the RSSs “the previous government’s failed Soviet tractor style top-down planning targets”.⁴ To a large extent he was right.

Even at the peak of the market in 2007 we only managed to build 176,000 new homes, far less than even the household growth the targets were based on.⁵ The graph below shows housing targets compared to delivery in one district council, Mid-Sussex, from 2006-2010.⁶



As can be seen the level of housing completions is well below set housing targets based on household growth. The housing target was 855 homes a year. Yet even when the market was at its most buoyant only 350 and 500 new homes were achieved in 2006 and 2007 respectively. This then fell in the economic downturn to below 200 in 2010. This failure was replicated across the country.

It would be premature to say, however, despite this persistent under-delivery, the change from the RSSs will make no difference. Firstly, the lower figures chosen by local authorities are important in political terms. They are seen by many local people, councillors and MPs as more legitimate than regional planning figures, or other figures imposed by the centre.

Secondly, the figure chosen by each local authority in effect acts not as a target but as a *ceiling*. It acts as a catalyst for the release of land – with councils having to release enough land to develop

housing for five years' worth of housing supply. This acts as maximum because it is the housing number that would be achieved if there was full development on all sites in order to achieve it. But some councils do not want development. So they may delay development on sites. In addition, there are problems around required consultees developers must engage with and who hold up progress, and on top of this developers who struggle to develop sites even with high prices because they have a dysfunctional model. Thus the target can never be achieved, but only under-achieved.

So with lower housing targets there will be fewer sites being developed in future, and the same delays in the system. The eventual outcome of the ceiling being lowered is that housing numbers will fall – unless further changes are made to the system as a whole that counteract this change.

Planning by appeal?



However, it is also important to realise that the Coalition has not given local authorities as free a hand in setting housing figures as many imagine.

The National Planning Policy Framework, published last March, makes clear that they must provide an objective and realistic assessment of their future housing needs, and indicate land to clearly deliver this over the next five years. The scope for Whitehall to intervene remains – and with it the potential for renewed political trouble between central and local government over house building.

Our Cities for Growth report argued in 2011 that “local plans and the planning inspectorate are likely to conflict... In theory under the current system the government could insist that planning inspectors force local authorities to allow more building. But in the past this sort of approach has failed.”⁷

Signs of a new approach may be beginning to appear. In recent weeks planning inspectors have warned two councils that they doubt whether their housing numbers meet the NPPF's requirements. A third has decided that, in the light of the NPPF's stipulations on housing, it had better go back to the drawing board, despite its local plan being less than a year old. Inevitably, this is likely to cause political tension. Indeed, already one Conservative MP has fretted that “there are worrying signs that local authorities feel unable to set the housing numbers they want, for fear of being overturned by the Government's planning inspectors.”⁸

Where councils are clearly refusing to even consider housing need in a sensible manner Ministers should support planning inspectors. But where the difference between plans and planning inspector figures is not great, Ministers should not spend valuable political capital overriding local authorities.

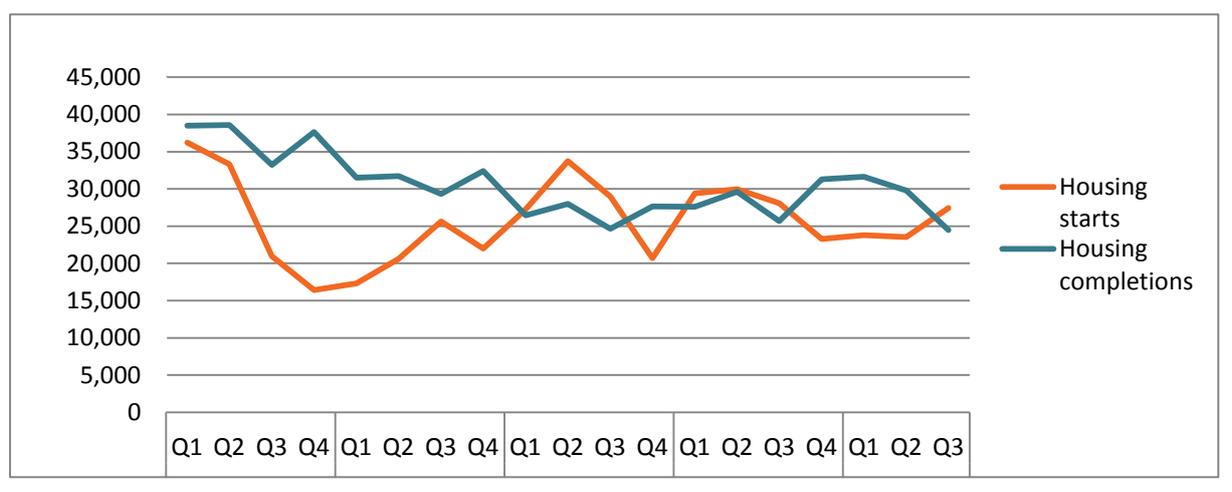
This approach of trying to overrule local councils via planning inspectors was tried in the 1980s. It was termed ‘planning by appeal’. It was not a huge practical success. Housing numbers rose by just 40,000 from 1985 to their peak in 1988, in the midst of a huge rise in house prices.⁹ Politically it was so unpopular the 1990 Town and Country Planning Act was introduced and land release was tightened further. Using planning inspectors to drive through housing numbers is *not* about making the planning system work. It is a *substitute* for making the planning system work.

The Coalition risks having the worst housing record of the modern era



As things stand, housing starts and completions are stuck at just over 100,000 a year, well below the total in Local Authority plans and very far below the sort of figure that might make a dent in the country’s acknowledged housing shortfall. In fact, it is the lowest sustained peacetime figure since at least World War I.¹⁰ Even if this total increases moderately it will be hugely below what is needed. Though much can be attributed to the credit crunch and how this interacts with developer construction models, it is also due to the current broken planning system.

Figure 2: England Housing Starts and Completions by Quarter¹¹



While the old top-down RSS system clearly did not work, the worry has to be that the new, local plan-led system will fare little better. Under the new system, perhaps even more so than under the old, a huge amount of time and energy is devoted to arriving at each council’s figure. The process is complex and often acrimonious. And it underpins a system that cannot deliver the housing we need.

The new system may continue with the worst of all worlds. A system that cannot deliver the number of homes it promises, even though this number is likely to be an underestimate, and even though it is politically difficult and troublesome to reach. Why this should be so is no great mystery. As Policy

Exchange has pointed out in previous reports, the problems and blockages that bedevil the planning system are systemic.

Focus on issues around empowering and rewarding local people



Firstly the concept of housing “need”, which the current system attempts to predict, is too nebulous and disconnected from actual demand to have much real meaning. Local incentives are misaligned, with the result that those most affected by new development often miss out on its benefits yet bear the costs. Too little weight is given by the planners to design and quality – or often a vision of design and quality is imposed that is even the reverse of what most people want. The overly bureaucratic and restrictive approach to use classes impedes the redeployment of empty buildings and brownfield land. Finally, the blockages in the system have a distorting effect on the development industry and land price risk sits with developers. Due to this model then during downturns then as land prices fall developers cannot build much - even when house prices are high.

The Government must press on with reform at a faster pace. The Community Infrastructure Levy should go to people near development, not councils. Neighbourhood plans should be simple, widespread and able to overrule local plans on almost all issues, excepting a minimum number of homes. Further work is needed on how developers’ models operate and areas such as self-build. We will be publishing work early next year on how we might hit local authority housing targets. They are an underestimate yet hitting them is the first step in increasing our housing numbers.

Conclusion



The widespread fear that the Coalition is set to concrete over the countryside with new housing is, in the light of Tetlow King Planning’s report, not borne out. For a government that is keen to see a rapid increase in house building, however, that is likely to be limited comfort.

Having scrapped the old RSS system of setting targets, the message from the Tetlow King Planning report is that it is hard to be confident that its replacement will do much better.

Over reliance on targets did not work before, however, and it is unlikely to work in the future. A sustained increase in house building will depend on reforming many other aspects of the planning system, not just the numbers. But it is important to note that a majority of councils covered by our study appeared to be reducing housing targets. This implies they are likely take other steps where possible to try to reduce the level of new housing in their area.



¹ BBC Transcript of the 2010 General Election leaders' debates

² *Hansard, House of Commons Debate, 23 June 2011, column 23WS*, available online

³ *Making Housing Affordable*, Policy Exchange, 2010

⁴ *Press release; Eric Pickles puts stop to flawed housing strategies today*, DCLG, June 2010

⁵ *Table 244 House building: permanent dwellings completed, by tenure*, DCLG

⁶ This graph is taken from the Tetlow King Planning report published alongside this research note

⁷ *Cities for Growth*, Policy Exchange, 2011

⁸ *We Need Houses but don't Forget the Sewers*; Nick Herbert MP, Daily Telegraph, 17th December 2012

⁹ *Table 244 House building: permanent dwellings completed, by tenure*, DCLG

¹⁰ *Delivering Growth while reducing deficits, lessons from the 1930s*, CentreForum, 2011 for 1920s and 1930s,

Table 244 House building: permanent dwellings completed, by tenure, DCLG for the later period

¹¹ *Table 213 Housing Completions in England*, DCLG

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