# EXPLAINED: PLANNING WHITE PAPER & "CURRENT CHANGES"

## TOPIC 1 – THE NEW STANDARD METHOD FOR IDENTIFYING HOUSING NEED (PART 1 OF 2)

## PREFACE: WHO IS THIS ARTICLE WRITTEN FOR?

1. On 6 August 2020, the Government published two main consultation documents relating to its proposed changes to the planning system: the *"White Paper: Planning for the Future"* and *"Changes to the Current Planning System".* This series of 10 articles examines the detail of the key changes proposed in both documents in relation to housing. Each article has four main aims:

    (i)     To highlight the reasons for, and significance of, the proposed changes.

    (ii)    To set out the benefits and shortcomings of what is being proposed.

    (iii)   To identify answers and solutions to all the shortcomings.

    (iv)    To assist in making responses for those concerned with housing.

2. These articles are aimed as much to assist professionals working for local authorities as they are for those working for the development industry. I advise both.  My credentials for writing on each topic are set out at the end of each article. Future articles will cover issues like scrapping the five year supply test, changes to affordable housing delivery, zoning etc.

## INTRODUCTION: NEW STANDARD METHOD FOR IDENTIFYING HOUSING NEED

### Housing Numbers is the Big Issue

3. The White Paper is hailed as a radical change to the UK Planning system. There are some big changes proposed. But the issue creating the greatest amount of debate right now amongst professionals isn't the headline grabbing concepts of zoning, removal of obligations and CIL or beautiful design. It is the proposed changes to the Standard Method for calculating the housing need for each local planning authority (LPA).  There are 4 good reasons for that.

    (i)   Housing dominates the world of planning and development in England. Nationally, it accounts for the most allocations, the most planning applications, the most appeals and often the most contentious debate, as we languish in a pervasive national housing crisis.

    (ii)  Housing dominates the content of the White Paper with over 200 references to homes, houses and housing, whilst the *"Changes to the Current Planning System"* document is almost exclusively about housing. In Bill Clinton speak, *"It's the housing numbers, stupid".*

    (iii) The Government proposes significant changes to the standard method resulting in both a much bigger national need figure of 337,000 (as opposed to the current figure of 264,000) but also a significant redistribution of housing focussing nearly all of those additional 73,000 new homes on southern England, with much more emphasis on placing new homes in the rural shires rather than towns and cities, based largely on a double affordability uplift.

(iv) A key part of the proposed changes will take effect later this year following consultation on the *"Changes to the Current Planning System"*, whereas most of the other major changes are in the White Paper, which does not have any kind of timescale for implementation.

**Consultation on the White Paper v Current Changes Consultation: Two Different Proposals**

4. It is important from the outset to be clear that what we're talking about here is two proposals. One in the *"Current Changes"* document and one in the White Paper.

    **(a) The Current Changes document is simply a change to the formula.** By that I mean the formula by which each LPA's housing need is calculated – albeit the changes are dramatic. However, it will remain embedded in the present planning system as defined by the National Planning Policy Framework (NPPF). Crucially, it is not the number an LPA needs to use as its housing requirement, unless its local plan is more than five years old. It's just a target to aim for before constraints are taken into account. The LPA identifies the number it thinks is appropriate for its area and hopes the local plan inspector will accept it through the local plan examination process. This is what this Article is particular all about. It is called Standard Method Part 1.

    **(b) The White Paper seeks to introduce a change to the methodology.** By that I mean the methodology for setting housing requirements (as opposed to needs) for each LPA. This will be a binding number for each LPA to be determined by Government. It is designed to remove a lot of the debate and consequential delay around what is the right number for each LPA, primarily to speed up the process. But, and this is the critical part, it will have to be subject to some degree of analysis and discussion before it is set. And crucially policy constraints such as Green Belt can be relied upon to reduce the requirement before it is set. In that sense what we will end up with is not that different from what we have already. The detail of that analysis and discussion is not in the White Paper. Yet how that is to operate is plainly critically important. But the Government is inviting suggestions on that issue and so your response on the White Paper should specifically address how that is being done. It is a complex topic and subject to a separate Article which will follow this one and is called Standard Method: Part 2.

5. This distinction between the two consultations is critical to how you structure your consultation responses. Responses to the White Paper must be provided by 23:45 on Thursday 29 October 2020. Responses to the "Current Changes" must be provided by 23.45 on Thursday 1 October 2020. The Government asks a series of specific questions in relation to the proposed changes suggested in each document. For example, question 1 in the "Current Changes" document has asked about whether you agree with the Step 1 base line becoming the higher of either latest household projection or a 0.5% annual increase in the LPAs housing stock. This is a very open question. And it therefore allows full discussion around the point. In other words, it permits one to respond by saying, for example, *"actually use of the household projections should be removed altogether"* (the reasoning for which is set out in this Article) or *"the stock base annual increase should be used exclusively, but increased from 0.5% per annum to a higher figure of 0.75% per annum"* (the reasoning for which is again set out in this Article).

**Why is this Article on the Standard Method only Part 1 of 2?**

6. This topic is huge. That's if one wishes to properly understand the significance and reason behind the proposed changes, and the benefits and shortcomings of what is being proposed, and the

answers to those shortcomings. Added to which, given there are two separate consultations taking place with differing levels of detail, there is plenty of scope for confusion. So, it is better to separate the Standard Method issue out into two articles: one looking exclusively at the consultation on the Current Changes; and the other looking exclusively at the White Paper. This paper addresses the former.

7.  But it is important to point out there is a link between both documents, the new Standard Method formula to be introduced later this year is likely to remain the formula (or at least significantly inform the formula) used to identify the figures handed out when the White Paper proposals are implemented. This is made clear in paragraph 2 of the Current Changes document *"changes to the standard method for assessing local housing need, which as well as being a proposal to change guidance in the short term has relevance to proposals for land supply reforms set out in Planning for the Future;…"* Therefore the Government need to try and get it right now. Changing the formula every couple of years will do nothing to substantiate its credibility in future years.

**Housing Numbers Don't Have to be Taxing**

8.  The Government repeatedly tell us that "*tax does not have to be taxing*". Well nor do housing numbers. A lot of people are turned off this topic because they perceive it as complex and impenetrable. But it is not rocket science. It really is very simply. The key thing to remember is that at its core is a simple question about where should new housing go. Most people know the answer is not in the middle of national park, for the simple reason very few people live there. That is just common sense. Well, that is all it is really. Just common sense principles. And it when you focus on common sense principles and everyday experience, like the fact that house price rises are plainly linked to a shortage of housing that you start to really understand this topic. And if you wanted a very simply understanding of what the new proposed Standard Method is all about set out in one sentence it is this: *in some areas of the country housing is more expensive than others and the Government wants to see more houses built in those areas*. The issues which this article raise are have they gone too far with that and as a result will it mean too much housing is directed to London, not enough to the North of England and will that in fact harm housing delivery and the Government's intention to deliver 300,000 new homes a year.

**But Before We Get Started on the Proposed Changes, is Having a Standard Method a Good Thing?**

9.  In my view, having a Standard Method for calculating housing need is unquestionably a good thing. It replaced the concept of objectively assessed need (OAN), which was introduced in the NPPF in 2012.

10. OAN was calculated through a process which looked at the household projections, invited possible adjustments for (i) migration; (ii) suppressed household formation; (iii) economic past trends and future forecasts; and (iv) market signals of unaffordability. The main problems were the sheer extent of the potential adjustment, the lack of guidance on how much adjustment to make, and the variety and volatility of input demographic datasets and the economic forecasts. On that last point of economic forecasts, three different forecasting houses were relied upon (and sometimes others were also used). Often there was significant variation between them. Added to which, new forecasts were produced several times a year, which again could vary significantly. This made it very difficult for LPAs to prepare a plan. So the move away from OAN has been nothing but a blessing. The concept of a Standard Method is much simpler, far less volatile and definitely something to be championed.

## THE PROPOSED CHANGE TO THE CURRENT STANDARD METHOD FORMULA

**Introduction to What the Government's "*Changes to the Current Planning System*" Proposes**

11.  The Government is proposing what they call **"a shorter-term measure"** to change the guidance in the on-line PPG on the standard method formula. This is only a change to the way the Standard Method is calculated. The Government says this present change *"has relevance to proposals for land supply reforms set out in Planning for the Future".* What does that mean? It means the current proposed changes to the calculation are likely to remain the bedrock of the Standard Method under the White Paper. But other changes are also on their way in the future (timescale uncertain).

**Why is the Government Changing the Standard Method Now?**

12.  This shorter-term measure is designed to address <u>four main problems</u> with the current methodology, which have been well-known to the Government for a long time. In fact, they were problems which the Government knew about even when it first introduced the Standard Method in 2018. That is the version we still have. These shorter-term changes are long overdue.

     **(i) The all-pervading problem of the Household Projections**: The existing Standard Method is based on calculating the housing need for every LPA in the country by relying upon the official Government household projections. Yet household projections have <u>absolutely nothing</u> to do with housing need. These are the four main reasons why:

     (a)   They are simply projections based on the past trends of household formation. But household formation rates have been suppressed for decades because housing has been unaffordable for many, especially younger people who are the key group who form new households. As house prices rose faster than wages, from certainly the 1980s onwards, more and more people, especially younger people, could not afford a new home and the average age at which young people move out of the family home has climbed. House prices increased by over 500% between 1989 and 2019[1]. This coupled with a dramatic collapse in the building of local authority housing led to an ever increasing drop in the household formation rate, which had been fairly healthy during the 1960s, and into the 1970s, when house building was at its peak and councils built huge numbers of council houses.[2]

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[1] So the Nationwide House Prices Index for the UK (not England) for the **35** year period between Q1 1985 (when the average house price was £33,200) to Q4 2019 (when the average house price was £215,925) increased by **550%** (being £182,725 / £33,200 X 100).

[2] It is right to record there are other economic factors at play such as the increased polarisation of the workforce and a drop in real wages for many doing less skilled work. But these are often factors affecting only part of the population, and that is why we tend to focus on the ratio between median house prices to median income. The lower quartile house prices to lower quartile income ratio is however, also looked often looked at.

(b)     This vicious trend in rising unaffordability and lack of supply went into hyper drive in the 2000s and 2010s meaning the household projections became more and more the cause and not just the effect of the problem.

(c)     Today, basing housing provision on the household projections is one of the  biggest causes of the housing crisis in this country. They have been accepted almost without question as being the statistical and quasi-scientific answer for identifying our housing need for decades. Relied upon in local plans for decades, they have suppressed real housing need, consistently reducing housing targets across the country, pervading the housing figures relied upon in local plans and a major contributing factor to explain why average house prices are now over eight times average income. In some parts of the country, the ratio is double that: in Chichester, for example average house prices are nearly 16 times average local incomes.

(d)     As far as addressing the present housing needs of the country are concerned it is a classic case of supposedly sophisticated analysis being undermined by the fact that 'if you put rubbish in, you get rubbish out'. It is right up there with the recent 'A' level results fiasco in terms of an ill-judged approach. The Government's continued reliance on them has been spectacularly inappropriate and we shouldn't be touching them with a barge pole: a point I have been making for some time now: see for example an article published on LinkedIn under a picture of a cup of Horlicks[3].    Throughout the period when we assessed OAN (2012 – 2018), experts advising both planning authorities and housing providers on this issue have had to routinely make adjustments based on professional judgement for the recognised phenomenon of suppressed household formations in each round of projections.

**(ii) The Government was forced to abandon the 2016-based household projections:** The problem with the household projections is so bad that when it introduced the Standard Method in 2018, the Government itself had to abandon any reliance on its latest set of household projections (which at the time were the 2016-based projections). That is because those projections produced housing need figures which were alarmingly low. That was for two reasons. First, they continued to perpetuate the trend in suppressed household formation as outlined above. Second, responsibility for the projections passed from the Ministry of Housing, Communities and Local Government (MHCLG) to the Office of National Statistics (ONS): the latter took a different approach to some of the data which seemed to focus on shorter term trends, reducing the numbers in the household projections yet further. So the Government opted for the 2014-based household projections instead, which were not quite as bad.

**(iii) Even the 2014-based household projections presented the Government with a headache.** They came nowhere near meeting the 300,000 dwellings per annum (dpa) national housing target which Ministers had identified as being necessary to even begin to address the housing crisis. In fact, when the Standard Method figure for each LPA was added up the total across the country comes to an embarrassing 265,000. The Government's formula was not helped by its self-imposed cap (Step 3 in the present SM formula), which significantly undermined housing need in large parts of the South. Embarrassing because not only did that not add up to 300,000 dpa, but worst still that figure of 265,000 dpa is the "policy off" figure before policy constraints like Green Belt are taken into account, which allows LPAs to reduce their local plan

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[3] https://www.linkedin.com/pulse/housing-need-further-consultation-standard-method-problem-young-qc.

target below the Standard Method figure. This is because the Government's policy in paragraph 11(b) of the National Planning Policy Framework 2019 explicitly permits LPAs the right to not have to meet their own housing need figure if their area possesses policy constraints like Green Belt etc. It is right to say that LPAs are allowed to plan for more than their Standard Method need figure a matter to which Ministers frequently refer. But that is a much overused and convenient depiction of how the current system works. My experience, working up and down the country, is that the political pressure on local politicians to keep new housing requirements down means this rarely happens. For example, some politicians give the impression that the cities in the north are keen to welcome high levels of housing development. But the reality looks rather different. For example, the Mayor of Manchester Andy Burnham seems very reluctant to want the Greater Manchester Spatial Framework to ever make progress.  In truth, most Local Plans progress on the basis of LPAs seeking to reduce their figures to, or below, the minimum so called "starting point". And even when one area appears to take on additional housing, such as Hull or Preston, the addition is often a direct result of it being off-loaded by another neighbouring LPA such as East Riding or Chorley, respectively, under the Duty to Cooperate.

**(iv) Disastrous results for the North of England undermining even existing delivery:** The existing Standard Method produces a figure of just 44,000 dpa for the whole of the North of England – 14% of the 300,000 target. That is despite the fact it is home to 28% of the national population; the Government itself being committed to creating the Northern Powerhouse; and that being a figure well below the actual present delivery rate across the North, which last year was 60,000 dwellings. The North here is the three northernmost regions of England – namely the North-West, the North-East, and Yorkshire and Humberside. Cutting housing delivery in the North completely undermines attempts to get to a national target of 300,000. And whilst affordability problems are most acute in the South, housing is still completely unaffordable for many in the North as well. You don't solve a national housing crisis by leaving over a quarter of the  country behind. I addressed this issue in an article on this topic entitled The Great Northern Housing Collapse published on LinkedIn[4]. Housing delivery in the North is also important for the local economy, creating flexibility in the local job market and driving urban regeneration. The Current Changes document is quite explicit about this being a key part of the reason for the proposed changes: Paragraph 14 of the document states that one of the main reasons for changing the Standard Method now is to ***"[a]chieve a better distribution of homes where homes are identified in more high-demand areas <u>and in emerging demand areas across the country (such as the Northern Powerhouse). This will help avoid issues where unaffordable areas in high demand are planning for low numbers of homes due to past trends of suppressed household formation. In addition, the Government has heard powerful representations that the current formula underestimates demand for housing in the growing cities in the Northern Powerhouse by being based on historic trends.***</u>  (Emphasis added)

**What is the Proposed Change to the Formula?**

13.  It is easiest to understand the change by briefly outlining the existing Standard Method which we have at the moment (as set out in paragraph 4 of <u>Chapter 2a of the PPG: Housing and Economic Development Needs Assessments</u>). It is a simple three step process. Step 1 takes the household

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[4] https://www.linkedin.com/pulse/great-northern-housing-collapse-20000-houses-deleted-leeds-young-qc

projections (yes, those things which we shouldn't touch with a barge pole). Step 2 makes an adjustment based on the ratio between median house prices and median income (above an assumed affordability level of prices being four times income: what the Government assumed your local building society manager will allow). Very few people disagree with this. Step 3 brings in a cap on the need figure in areas with very high need figures.

14. The Changes to the Current Planning System proposes adjusting the formula in three simple ways. It introduces a second additional affordability adjustment based on the increase in the median house price to median income ratio over the last ten years: this produces a higher housing need figure for areas where housing has become even less affordable in the last decade (first impression = sounds good). It removes the cap (sounds excellent). And it introduces, for the first time ever, the concept of replacing the household projections with a new foundation for housing based on an increase to the existing housing stock (surely, that sounds perfect?)

**So is the Proposed New Standard Method Formula Better?**

15. Well based on those initial impressions yes, it is better. Those three factors are definitely a genuine and serious improvement on the original Standard Method formula first adopted in 2018. It also gives rise to a collective national figure of 337,000 new homes a year. Which sounds very encouraging, albeit that is before LPAs are allowed to use a combination of constraints to undermine it:

   - environmental constraints such as European protected habitats,
   - policy constraints most obviously the Green Belt; and
   - physical constraints such as the physical limitations of some local authority areas such as in some London Boroughs and urban authorities in the West Midlands conurbation

16. Some of the figures, especially across Southern England are very high. Take for example the London Borough of Bromley. Under the existing Standard Method its figure was capped at 897 dpa. Now it has a figure of nearly 2,487 dpa. But under the present version of the NPPF, it is allowed to reduce that by whatever it can persuade a local plan inspector is sound. So 2,5487 dpa is never going to be Bromley's housing requirement figure in a new local plan under the current system (or indeed under the White Paper proposals where constraints are considered to be equally legitimate).

**Is the Proposed New Standard Method the Right Approach?**

17. In a word, no. There remain some very real problems with the new proposal. They are largely the same problems as those identified with the existing system above, since the new proposal only partially ameliorated them. But there are some new problems as well. **Here are the five main problems and my suggested answer to each**. I am not alone in thinking this. My views are shared, and indeed have been shaped, by many of the leading economists, demographers and econometric experts specialising in this area, with whom I regularly work. They are supported by many housebuilders, housing associations and strategic land investors on whom the Government relies to achieve its target of 300,000 more homes per year. We've all been discussing this matter in detail for several years now. If you agree, these are the matters which I would really encourage others to highlight in their consultation response to Government.

(i) **Problem 1: The move away from the household projections is half-hearted:** whilst the Government has very sensibly recognised the need to move away from the household projections, it has only done it very tentatively. The proposed change is very half-hearted. It has only adopted an either/or approach to replacing the household projections with the new method of embracing an annual increase in the stock of housing in each local authority area. Paragraph 28 of the Current Changes documents states it in these terms ***"Whichever is higher of 0.5% of existing stock or the projected average annual household growth over a 10-year period will be used as the baseline."*** But sadly, the 0.5% annual increase in the housing stock for each LPA is so low that it means that in two thirds of LPAs it is actually still the household projections which will form the Step 1 baseline of the Standard Method. Stock will form the foundation in 116 LPA areas, but it will be the household projections which still prevail in over 200 LPA areas. These are the same household projections we should not be touching with a barge pole. In most LPAs areas they suppress household need. And yet, ironically, in some areas where there has been a very high housing delivery in recent years like North West Leicestershire, they also result in some anomalously high figures as well, given it is only household formation over a relatively recent 10 year period which the most recent household projections are based upon.

**Answer:** The answer is simple. The Government should drop reliance on the household projections altogether. Those making the decision over this need to be far more confident and bold. They have already recognised the correct answer lies in a stock-based approach, as do nearly all the experts I speak to. But the Government still labours under the misapprehension that the household projections have a role to play. Paragraph 21 of the Changes document states ***"the household projections, which are based on freely and publicly accessible data available at a local authority level, are still the most robust estimates of future growth trends".*** Let's unpick that: the fact the projections ***"are freely and publicly accessible"*** is irrelevant. So is most of the fake news on the internet, but that does not mean it is something to rely on. The housing stock of an area is [freely and publicly accessible.](#)[5] And is, in fact, infinitely more transparent than the household projections.  The fact "***data is available at a local authority level"*** is nothing to the point - so too is a stock-based figure. Finally, the fact the household projections "are still the most robust estimates of future growth trends" is again irrelevant. First, they are the only estimates we have, which makes them both the most robust but also the least robust at the same time. And second, the Government should be addressing housing need, not simply following trends that have created the housing crisis and are based on severely suppressed household formation rates, the problems of which are outlined above in detail.  So let's take this opportunity to abandon the household projections as a basis for identifying housing need in this country. In 2017 the Government accepted the housing market is [broken](#) and it is the household projections which are undoubtedly now doing the most damage. In this major consultation exercise, those who want to see the housing crisis properly addressed need to say this. Allowing the household projections to continue to dominate the identified need for each LPA simply perpetuates the mistakes of the past, reinforcing the housing crisis.

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[5] It should be noted that the Ministry's ambition through the Digital Land programme has been to further improve the quality of such data, e.g. through the introduction of Unique Property Reference Numbers (UPRN): [https://www.gov.uk/government/news/housing-minister-calls-for-a-digital-revolution-in-the-property-sector;](https://www.gov.uk/government/news/housing-minister-calls-for-a-digital-revolution-in-the-property-sector) [https://mhclgdigital.blog.gov.uk/2020/04/02/unique-property-identifiers-to-be-opened-under-open-government-license/.](https://mhclgdigital.blog.gov.uk/2020/04/02/unique-property-identifiers-to-be-opened-under-open-government-license/) And generally: [https://mhclgdigital.blog.gov.uk/category/digital-land/](https://mhclgdigital.blog.gov.uk/category/digital-land/)

**(ii) Problem 2: The stock-based increase of 0.5% is too low:** whilst the Government has 'dipped its toe' into the stock-based approach it has opted for a very low stock based increase. A 0.5% increase across the country would deliver only around 122,000 dpa. The proposed new SM would involve a baseline which still incorporates the household projections for two thirds of authorities in England, and so that only increases the baseline figure for Step 1 by another 50,000 to create a blended baseline of 174,000 of new homes a year - well short of the 300,000 new homes a year, which is the Government's national annual target. The rest of the increase that gets the Government's figure to 337,000 dpa is down to the two stage affordability adjustment (163,000). But that over-emphasis on affordability gives rise to each of the next three problems listed below. Indeed, the present proposals are so focussed on affordability that they expose the housing need figures to considerable volatility, especially if there is a significant economic downturn which is one of the very things under the OAN approach which the standard sought to remove.

**Answer:** An annual increase in the stock base of each LPA of 0.75% would to an extent solve all five of these identified problems in one simple move. It really is that easy. It is the main proposed changed that I would advocate the development industry and others concerned to ensure we deliver more housing in this country. The Government is very keen to receive responses on this: Question 2 of the consultation asks for views on this very point. ***"Q2: In the stock element of the baseline, do you agree that 0.5% of existing stock for the standard method is appropriate? If not, please explain why.*** In one simple move it would allow future housing to be better matched with the existing population. Most real household growth is driven by national trends such as an increased life expectancy, people being single for longer, having children later and the divorce rate. If you match household growth mainly to the existing housing stock, you establish a stable and proportionate baseline and you avoid short-term trends and volatility in the numbers, which has beset the calculation of need since the introduction of the OAN approach in the NPPF in 2012. Added to which, if the Government is determined to hang on to its either/or approach of still permitting the use of household projections if they result in the higher figure, the projections would only apply in one third of LPA areas. Work done by leading planning consultancy Turley, reveals that in a very neat role reversal, it would be only be only one third of LPAs where the defunct household projections would still form the baseline, and around 200 where the stock based approach would take precedence. That would mean the household projections would only be used in areas which have most experienced strong household growth.

**(iii) Problem 3: The figures contradict the Government's objective of levelling up of the country particularly in the North of England:** one of the greatest failings of the proposed new Standard Method is that it does nothing to address the failing of the existing Standard Method in terms of its neglect of housing need in the North. Under the new proposed method, the collective national number has increased by 27% (up by 72,000 from 265,000 to 337,000). But the increase in the North is half that at 13% (up by 6,000 from 44,000 to 50,000). That is a tiny addition to an already painfully low and inappropriate number. Given what the Government itself has said in the "Current Changes" document about the new proposed method being in direct response ***"to powerful representations that the current formula underestimates demand for housing in the growing cities in the Northern Powerhouse by being based on historic trends."*** that makes the proposed level of increase baffling. Major successful English

cities like Manchester and Leeds are being left behind, despite very strong housing market areas. The existing SM figure has already been used as part of the justification for Leeds City Council to quickly review its 2014 Core Strategy and slash its housing requirement figure by 20,000.

**Answer:** A more ambitious stock based approach would resolve that in a single stroke. Taken together with the Government two stage affordability adjustment, using a growth rate that would increase the stock in an LPA area by 0.75% per annum rather than 0.5% that would result in annual figures for the North of around 66,000 dwellings per year. Not remotely ambitious or consistent with the political rhetoric surrounding housing forming part of the Northern Powerhouse. But not the missed opportunity that 50,000 represents. In the spirit of positive collaboration **I, together with Paul Tucker QC and Giles Cannock QC of Kings Chambers, have been steering a group called "SM North" for the last four months.** This has involved housing need experts including economists, planners and demographers from 10 firms of consultants and who represent a huge range of housebuilders, developers, housing associations and a range of other organisations. That Group very largely agrees that a stock-based approach to the Standard Method is the solution for levelling up housing growth in the North. We are holding an **open meeting on Zoom on Monday 14 September at 5:30pm** for everyone who is interested in ensuring the revised Standard Method works for the North: everyone from house-builders and planning consultants to housing associations and business leaders are welcome to join us. Details are available from our clerks Andy Bisbey at No5 Barristers Chambers AndrewB@no5.com or Gary Smith at Kings Chambers GSmith@kingschambers.com or you can obtain the joining instructions by registering using this link https://no5.zoom.us/webinar/register/WN_dKuJ5Xe3RGC7oV-BJ5ij-g

**(iv) Problem 4: There is now too little development proposed in most major urban areas:** I do not imagine for one moment that the Government intended to significantly reduce the housing need figures in major towns and cities across the country. After all, these are our most accessible and sustainable communities; have the most expansive and diverse economies; are centres of learning, commerce and innovation; and drive transformational benefits through agglomeration. Yet this is precisely what the proposed change to the SM does, save for London and a few smaller cities generally in the South. Loading up the housing numbers in rural areas and market towns at the expense of cities seems to be completely at odds with the principles of sustainable development, the Government's agenda to favour the development of brownfield land, and allowing housing through extending permitted development rights across the use classes and allowing upwards expansion. It has also caused an immediate outcry from Tory MPs in shires and rural areas[6]. This dispersed focus on housing growth is derived largely from having a figure for a stock based increase which is too low. But it is also the product of the new second part of the affordability adjustment which whilst delivering an uplift in the housing need figure focusses most of the need on London and high value areas. Whilst targeting these high value areas remains important, the fact is these areas are often highly constrained both physically (as with London) or environmental constraints such as European protected sites or Areas of Outstanding Natural Beauty ("AONB") or the

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[6] Neil O'Brien's MP concerns widely reported in the press based on the work of leading planning consultancy Lichfields on the SM distribution: https://www.conservativehome.com/thecolumnists/2020/08/neil-obrien-2.html

policy constraint of the Metropolitan Green Belt, which dominates plan-making in the South East of England. So focussing so much growth in these areas, whilst also retaining the ability to reduce the figure through constraints looks like a complete own goal for actual realistic housing delivery. When coupled with the damaging reduction in capacity in the North, it looks positively perverse.

**Answer:** Move to a 0.75% stock base annual increase for each LPA area which will focus growth on town and cities where most people live. An affordability uplift would still be necessary, but it may be necessary to remove the second affordability adjustment. London and the South will still get the lion's share of new homes, while the North would see a figure need more in line with its existing delivery record. Under the Government's proposed change (which relies heavily on the suppressed household projections heavily supplemented a double affordability uplift), much of the housing need is located in the rural areas of Southern England, especially in the South East, where house prices are very high. And to some extent that has the very real potential to squander a large amount of the total national need figure of 337,000 dpa because these areas suffer from multiple layers of constraints which will be used to significantly reduce that 337,000 downwards. Remember, that under the both the current system and the one proposed in the White Paper, constraints can and will be used to reduce housing requirements. To put it another way, the greater the extent to which the national housing need figure is derived from need in the home counties like Surrey, Sussex, Berkshire, Buckinghamshire, Essex and Kent, the greater the extent the 337,000 figure will be eroded away by the multiple layers of constraints in these areas. And at the moment the Government's proposal are very much focusing additional housing growth in London and these areas.

**(v) Problem 5: The figures for London Boroughs are unrealistic and undeliverable:** The proposed changes to the SM focus most need toward those areas which have become the least affordable. And most obviously that includes most of London. The new proposed figure for London is 93,000 new homes a year. That is a figure which has never been achieved. Delivery last year was only 36,000 and the highest figure in the last two decades was only 39,560 – barely 40% of the proposed minimum target. London is highly constrained already. Its urban areas are densely-populated and large parts of the open land are heavily protected as well. Focussing such huge housing need figures on the London Boroughs, will do nothing to support the national housing target of 300,000 dpa because in reality a very large part of the 93,000 dpa in London will not be built.

**Answer:** The answer here is again simple. There are two easy solution

**(i) Put a cap on the housing need figures for London:** Only London. Not the whole of the South East. There is nothing illogical to applying the cap only to London. Everyone knows it is a world apart from the rest of the country. It is a truly global city. The rest of the South East does not have anything like the physical constraints of London. Limiting the figure to around 60,000 new homes a year in London, which is still a highly ambitious ask but is a much more achievable figure, and avoids squandering capacity in locations where it will never ever be delivered. Transferring around 30,000 dpa from London to both the Midlands, and most especially the North, looks eminently sensible both in terms of achievable delivery and levelling up the North. Equally, what that approach does not do, is diminish the numbers for the rest of Southern of England. That is because, whilst it is

true to say it has a lot of policy and environmental constraints especially in the South East, unlike London, the South is not constrained by its physical capacity. That would leave untouched the figure of 140,000 dpa for the rest of the South. Even to consistently achieve 60,000 a year in London would require a significant improvement in densification and upwards expansion. Large parts of the South East are constrained by Green Belt, but that is not an environmental constraint, it is a policy constraint and meeting housing need in Green Belt is entirely feasible provided there is a political will. Certainly the High Court has recently  recognise that unmet housing need alone can amount to an exceptional circumstance to release land from the Green Belt in the context of plan making: Compton PC and others v Guilford Borough Council and others [2019] EWHC 3242 (Admin).

(ii) **Introduce a single but tapered affordability multiplier:** the Government's proposal for two affordability adjustments are very simple. But they are also very crude. The main component (which is the same as in the 2018 version of the SM) applies a single national multiplier for uplifting the housing requirement in each LPA area wherever median house prices are above four times median income (which is pretty much everywhere). That has a beneficial effect of increasing housing need across the country, but favouring the South more for obvious reasons. It does, however, have a wholly disproportionate effect in London. For example, in the London Borough of Westminster median house prices are an eyewatering 40 times median income. That creates an annual housing need of nearly 5,750 new homes a year. That is against the existing local plan requirement of  1,000 dpa and delivery over the last three years of 1,000 dpa. A figure of nearly 6,000 dpa looks wholly unrealistic and frankly, absurd. That is almost exclusively down to that single affordability adjustment. Far more realistic would be for the affordability multiplier in the Standard Method to be reduced to a lower figure when median house prices are more than 10, 15 or 20 median incomes. Four simple multipliers would not make the affordability adjustment incomprehensibly difficult to follow. It would be very simple, logical and would even avoid the need for the second affordability adjustment. That would operate largely to significantly reduce London's unrealistically high figures allowing more of that to be re-distributed to where it can and has been delivered such as in the North.  And it would have the added benefit of not being described as a cap.

## THE SOLUTIONS

**Introduction: It all depends on the extent to which the Government is listening**

18. So, with the key problems identified and armed with these answers, what is the overall solution? Well, that depends how far the Government is willing to change what it has proposed in the "Current Changes" document. Fundamentally, that depends on how far it is willing to listen to expert advice and deliver on its commitments to levelling up and the Northern Powerhouse. The Government is keen to pray-in-aid the expert work submitted to them earlier this year from leading planning consultancies Savills and Lichfields[7] on this issue. But I have seen that work and spoken to the Directors with responsibility for that work in both of those firms. And the Government's proposal is not the proposal which either of these firms suggested. It contains elements of the Savills and Lichfields work, including the emphasis on a stock base increase. But

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[7] Changes to the Current Planning System, paragraph 15, page 11

the use of a stock figure as low as 0.5% and the second affordability adjustment are the work of Government officials alone.

**A Minor Tweak**

19. If the Government is only willing to make a very modest change or "tweak" to use Robert Jenrick's own phrase following the consultation, then we must assume it wishes to retain as much if its own method as possible. So, let us assume that it wants the SM to add up to the same national figure (around 350,000 dpa); that it wants to retain the either/or option of using whichever is the higher of the household projections or a stock based approach; and it wants only a two steps process with the second involving a double affordability uplift. Most of the problems identified above could be resolved by two simple changes.

    (i) Set the stock-based increase at of a 0.75% increase per annum;

    (ii) And apply a cap of around 60,000 for London (a cap set at a 100% increase above the baseline), or apply the simple tapered multipler as outlined above.

20. That generates a national figure in the order of 350,000 dpa, distributed in this way: 66,000 for the North, 62,000 for the Midlands, 64,000 for London, with 158,000 for the rest of South. It would tie in better with the Government's aspirations for *"support… the renewal of our towns and cities"[8]*, whilst also addressing the areas with the greatest *"affordability pressures"[9].* It would instantly overcome the concern raised by some Tory MP's about the housing being focussed in the shires rather than the urban areas[10]*, it would level up the North*, not undermine investment and housebuilding capacity in the Northern regions, and it would give London an ambitious but realistic target. It would also give a greater margin of comfort (circa 20% rather than circa 10% by which to deliver 300,000 new homes a year after the Standard Method figure had been reduced by constrints.

21. Simple it may be, but this gives rise to two problems.

    (i) In the desire to constrain the national figure to below 340,000, it would be necessary to constrain the figures for the South of England in the same way as the figure for London (so a cap set at allowing no more than a 100% increase arising from the step 2 affordability increase). That would certainly be popular with Tory MPs in the South. And in defence of this, it would still set the figure for the South of England (outside London) at 145,000 new homes a year. Given the Government has been persuaded to remove the cap this is unlikely to be welcomed at this stage, even though the figure of the South is still close to 150,000 a year.

    (ii) It throws up anomalies, especially in the North of England, in some areas where there is a large existing population, but a weak local economy. Places such as Blackpool or Barrow-in-Furness. These areas have weak housing markets with low demand. That is not to say there is not a significant housing need. Just that there is low demand. The simple answer is to single out such places as exceptions and give them a lower figure. That could be done by reference to their job density figure (i.e. the number of jobs per working age population).

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[8] White Paper, paragraph 1.12, fifth bullet point
[9] White Paper, paragraph 1.12, fifth bullet point
[10] Neil O'Brien's MP concerns widely reported in the press based on Lichfields work on the SM distribution: https://www.conservativehome.com/thecolumnists/2020/08/neil-obrien-2.html

**A Moderate Tweak**

22. If the Government was feeling a little braver, there are two ways it could come up with much more deliverable figures, both of which remove the cap, but try to stay as close to a national target of 350,000 dpa as possible.

    **(i) Remove any reliance on the household projections altogether:** The household projections really are a terrible measure of housing need, as explained above. Under this approach, all reference to the defunct household projections is removed and replaced with a stock-based increase for each LPA of 0.75% per annum. Applying the Government's double affordability multipliers the total would be 345,000 dpa nationally. And in terms of each region that would leave the Midlands (52,000) and the South (140,000) largely unchanged. It would increase the figure in the North (65,000). It would remove some of the anomalies, such as North West Leicestershire which has a very high figure of over 1,000 dpa simply because of a high level of very recent migration brought about by recent significant completions. But it would only reduce the London figure very modestly (89,000) and wholly unrealistic. But that too could be overcome unless the tapered affordability multiplier identified above is used.

    **(ii) Retain the higher of the household projections or stock growth, but raise the stock growth to 0.75% per annum, and adjust the Government's affordability uplift from a multiplier of 0.25 to 0.15:** By reducing the multiplier from 0.25 to 0.15, this lessens the rather one-dimensional focus on affordability, rightly allowing the stock base to exert more influence. This would push the sum total across the country down to 317,000. But it would remove the need for any kind of cap. It would set the figure for the North to 61,000 dpa (a sizeable increase over the current proposal) and the Midlands to 54,000 (slightly above where it is now), and a modest increase for the South to 127,000 dpa. London's figure would however remain very high at around 75,000. That reinforces the need for a London-only cap or tapered affordability multiplier. It is also important to say that by focussing more on the bedrock of stock and less on affordability considerations, this reduces the risk of volatility, which could be very significant in the coming years with the economic downturn.

**The Correct Tweak**

23. Government is inherently conservative (with a small "c") and often for good reason. But it is the Government which has labelled their own proposed changes radical. So perhaps on this occasion there might be a willingness to listen very carefully to expert opinion. The answer would be to incorporate into the Standard Method an adjustment for the number of jobs in an area. But isn't that another step, I hear you say? Well yes, but the present SM is a three step process, so having a three step approach wouldn't be ground breaking. Added to which, it could in fact be incorporated in to the first step.

24. There is ample justification for including economic growth in the Standard Method. The White Paper specifically links house building to economic growth. Paragraph 1.12 sets out Government's key objectives, one of which *"increased the supply of land available for new homes where it is needed to address affordability pressures, support economic growth and renewal of our town and cities, and foster a more competitive housing market"*. But despite making this direct link between housing and economic growth, the Standard Method figure pays no regards to the

employment, jobs or economic growth. That is both the present version and the proposed changes. It is very surprising. And reveals that the proposed SM formula plainly contradicts the policy intentions. Moreover, two of the leading planning consultancies Turley and Lichfields submitted reports to the Government earlier this year with an economic step incorporated. That was before the consultation started. So far this proposal has not found favour. But that is the purpose of a consultation exercise, provided the consultation itself it is not merely perfunctory, designed purely to stave off the threat of an unwelcome Judicial Review.

25. Whilst affordability is an important component of where best to focus new housing, the strength of a local economy and the jobs present there are both plainly important component of the demand for new housing. So surely the Standard Method should be linked in some way to the level of employment in an area. It is just good economics. It would also make it easier to sell the new figures to local politicians, who cannot sensibly argue against the need for new housing in areas with a strong local economy that is creating jobs. It would also serve to temper the figures for areas with a high existing stock but a low level of jobs.

26. Perhaps the most efficacious way of introducing the level of local jobs into the Standard Method would be to avoid introducing another step to the formula. But to simply adjust step one, so that the household projections were removed from the two options in step one (as discussed above) and the baseline was expressed as the higher of either a 0.75% annual increase in stock or to use the jobs density figure as the multiplier in step 1 where the jobs density for the area exceeds 0.75. The jobs density of an area is a simple measure of its economic performance measured as the number jobs in area divided by the working age population. The higher the number of jobs per population the greater the job density of that area. If the Government was to adopt a job density threshold of 0.75 jobs per working age person, that would mean areas with a very high level of jobs would adopt that as the alternative measure of the number of new homes required in the area. The higher the jobs density above 0.75, the higher the baseline figure for new homes prior to the application of Step 2 of the Standard Method (the affordability adjustment). For example, an authority with 100,000 homes and a jobs density of 0.85 this would result in a baseline housing growth rate of 0.85% (0.85/100). The outcome of this step for this authority would be 850 homes, higher than its original baseline of 750 homes (0.75% of 100,000 homes). Applying this approach nationally gives rise to the following figures: 400,000 for England, South (150,000), North (70,000), Midlands (54,000). The figure for London would be very high (126,000) because of its very high jobs density. But self-evidently that would be easily resolved by applying a cap of 60,000 to London, which would then reduce the overall total to about 334,000.

27. The Government's reluctance to incorporate an economic adjustment is because of the past experience of incorporating economic forecasts into the calculation of Objectively Assessed Need (OAN) under the 2012 NPPF and 2014 version of the PPG. That is perfectly understandable. But to then completely ignore the number of jobs in a local area as a result is unconvincing. The answer is to stay well away from economic forecasts, which are largely just educated guesswork. The 2014 version of the PPG (which was the Government's ill-fated toe-in-the water at estimating need to replace regional strategies), suggested looking at both *"past trends or economic forecasts"*. That added considerably to the confusion and ambiguity around all this. The Standard Method is, in direct contrast, mercifully concise, simple and unambiguous. Focusing on something as straightforward as an LPA's jobs density is similarly concise, simple and unambiguous. And what it does is focus more houses in areas with a strong local economy where new jobs are being created – surely the essence of sustainable development.

28. The data for jobs density is from the ONS, who use various sources of information including the BRES (Business Register Employment Survey) data. This is a national annual survey of 80,000 companies. It is not perfect and there are anomalies, but it is widely used and widely respected. In any event, the object of the Standard Method is not some scientific exercise of housing need. It is simply finding a fair, simple and transparent way of setting housing targets which will help the Government get ensure the delivery of 300,000 new homes a year.

**And finally… the Elephant in the Room,**

29. Setting the SM to produce a national figure of 340,000 or 350,000 new homes a year will not deliver 300,000 dpa. The main problem is that the present figure of 337,000 dpa, is a target which is little more tan 10% above the national annual housing requirement of 300,000. Yet under the present system set out in the NPPF and PPG each and every LPA with constraints is entitled to reduce the number. And reduce it they will.

30. Work by the leading planning consultancy Quod has shown that even if you look at only AONB, National Parks, SSSI, SAC, SPA, Ramsar, Heritage Coast and World Heritage Sites that covers 26% of the country. Admittedly, many of these are located in areas with a low population, so an approach adopting a stock-based increase would not result in this having too much influence, except perhaps around areas with European protected sites like the Surrey Heaths and Ashdown Forest.

31. If you then add in the policy constraint of Green Belt, that creates an even larger area, particular in areas of high need and very high demand. That has a much more dramatic effect on housing requirements. So, there is precious little prospect of delivering 300,000 when there is only a 10% margin to cover all the deductions which will be made for physical constraints in London and environmental and policy constraints across the country. It is pretty clear the proposed Standard Method target of 337,000 is not nearly sufficient to deliver 300,000 new homes a year.

32. That is however, a much bigger issue and not the purpose of this article. It will, however, be addressed in detail in the second article on the Standard Method, which will address the proposals in the White Paper (The New Standard Method – Part 2). The White Paper embraces the concept of a Standard Method but suggests constraints will (somehow) be incorporated within it. The consultation on that runs until the end of October. This ties in with other issues such a local government reorganisation and devolution in England, which is likely to see District and Borough authorities replaced by single unitary county wide authorities

33. **Very Importantly though**, it is worth remembering that for consultation responses on the Changes to the Current Planning System document, everyone who wants to see the Government actually deliver to 300,000 a year ought really to be suggesting that either:

(i) policy constraints, most especially the Green Belt, (as opposed to environmental constraints) are removed as a valid justification for reducing housing requirements in the current system; or

(ii) to set the overall national figure for the new Standard Method at a level which is much higher than 337,000 new homes a year. It should be set at a figure of around 400,000. That sounds like a significant figure above the 300,000 target. But it really is not. Not when one thinks about the extent of Green Belt and environmental constrains across the country. And because those constraints apply, that should not be a cause for any concern on the part of Ministers. That is because, as the Housing Minister **Christopher Pincher** quite rightly pointed out, under the current

system the Standard Method figure for each LPA, is not the housing requirement figure which LPAs are required to adopt in their local plans: ***"The standard method is only the first step in the current local plan process – the numbers generated for an area's housing need will not necessarily be the same as their ultimate targets. That's because councils will take into account various constraints in their areas, including protecting their green belt and environmentally significant sites. Nor does it dictate where those homes should go. Both are important aspects of the system which rest with local councillors to determine."***

## WHAT DOES A BARRISTER KNOW ABOUT ALL THIS?

34.  Well in my case it is because I have spent the last 20 years working for house-builders, developers and local authorities in every corner of the country. For all of that time, but most especially since the first publication of the NPPF in 2012, I have had to absorb myself in the mechanism of housing need. For all of that time I have been fortunate enough to work with many of the country's leading experts on this matter. That is for both local planning examinations and planning inquiries. In the context of local plans, that has meant working with experts for consortia of developers who sensibly align themselves to one single need figure. But it is in the context of repeated planning inquiries, usually for the Appellant, that my knowledge and focus has be truly sharpened. At an inquiry, not only am I working with one of the country's leading experts on my side, I also have to cross-examine another such expert acting for the other side. Sometimes, as happened recently in an appeal in Chorley, the expert I am cross-examining is the same expert who I was working with on my side in an earlier appeal. This way you get to learn the subject from every angle. And it's during that preparation of your cross-examination, in the long hours and late nights of preparing how to show the other side's expert is wrong, when you quickly work out how it all works, what is credible and what is not.

35.  I have also called an affordable housing witness at almost every housing inquiry I have conducted for the last 5 years, and not increasingly at local plan examination. It has become my stock in trade. This affordable housing witness will address the evidence on affordability in the relevant local authority area in which the appeal site is located. Week after week I listen to the grim statistics about staggeringly high income to house price ratios, similarly high rents, very long housing waiting lists and the effect of the Right to Buy scheme. Years of reading and witnessing this evidence inform my understanding of the data and what I have written here. The Government is right to focus on affordability as a measure of housing need. But for the reasons explained above it needs a slightly more sophisticated approach.

36.  The housing need issue is a major part of the work I get involved in at the Planning Bar. And my fellow members of the Planning and Environmental Bar Association (PEBA) are doing exactly the same across all 366 of the local authority areas in the country. That is why we can hopefully meaningfully contribute to this debate. I don't think Ministers and the MHCLG need much convincing on that: Christopher Katkowski QC was on the White Paper Task Force. But to be clear, for his sake, he was not on the team who prepared the Changes to Current Planning System document.

37.  I am very grateful to all of the planning experts I have been discussing this with since 6 August. Their views have informed my own. But to be clear again – the views here are my own. Barristers in independent practice have much more freedom to express their own views compared to many others in the system. And in my view, if something needs saying, it is important that we do.

38   Finally, to add that I have spoken recently on this issue with others:

- firstly, asking questions about the Standard Method in the White Paper to Christopher Katkowski QC on the day after the White Paper and "Current Changes" document in the Special 'KitKat' Episode of "Have We Got Planning News for You"[11] now available on You Tube;

- a week after publication of the White Paper in a joint webinar held by Town Legal and No5Chambers[12], available on the No5 website; and

- finally, by kind invitation of Sam Stafford in his excellent "50 Shades of Planning" Podcast series, which will be available from next week on ITunes and Spotify[13].


**9 September 2020**

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[11] https://www.linkedin.com/posts/christopher-young-qc-3097b822_have-we-got-planning-news-for-you-episode-activity-6696979308570841088-blpE

[12] https://www.linkedin.com/posts/christopher-young-qc-3097b822_planning-for-the-future-the-likely-practical-activity-6701022430200238080-2Rqa

[13] https://pod.co/50-shades-of-planning