

Create Streets
Briefing Paper

August 2020



Where will Thomas and Rebecca live?

Direct planning: how to build more and
better homes faster

Where will Thomas and Rebecca live?

Direct planning:
how to build more
and better homes
faster

Introduction

Thomas and Rebecca were the most common baby's names in 1994. Thomas and Rebecca, now 26, face a very low chance of owning their own home near to a job they aspire to do – or even of renting one at a price that leaves them with a reasonable disposable income. Opportunity is generationally decreasing.¹ This is unacceptable.

This note asks: how do we build more homes in the right places? How do we create communities which will encourage residents' health and wellbeing? How do we do so with widespread political consent? How do we ensure enough homes in the right places, and improving living standards for those spending too much on privately rented homes and unable to buy their own homes?

It argues that there is a route to take. Such a route involves a better functioning mixed economy of predictable regulation with free market and third sector development. The good news is that some of the right steps are already being taken. This need not be politically difficult in the medium term.

However, such an answer does require a fundamental change in how we think about the debate across the political spectrum. This note sets out that change and why we, desperately, need to make it

Summary

- The 'housing crisis' has many causes but one crucial driver is unpredictable regulation. The smoking gun is that English planning is not rules-based (like most planning systems) but operates on a case by case basis. This can be right for complex cases but not in the provision of most homes for most people.
- The consequence of this is greater uncertainty. This increases planning risk, slows development, pushes up consented land



Rousillion Park. Photo credits: Ben Pentreath

prices and acts as a major barrier to entry for small developers and innovators. It is no accident that we have the most concentrated development sector with the smallest proportion of SMEs or self-build and that Modern Methods of Construction (MMC) are struggling to gain a foothold. MMC construction requires a high level of up-front investment and high planning risk makes this much harder.

- This paper argues that part of the answer is '*Direct Planning*', setting clearer rules with local consent but allowing the free market and mixed economy to operate within these rules.
- Benefits to the public would be greater choice, lower prices, higher quality and more diversity of housing via more new market and third sector entrants.
- Long term metrics for success could include (i) level of opposition to new housing, (ii) proportion of SME housebuilders, (iii) market share of new market entrants, (iv) market share of self and custom build²; (v) market share of Modern Methods of Construction (MMC); and (vi) average time from land acquisition to build out.
- Actions to be taken now by central and local government could include issuing guidance to the new National Planning Policy Framework (NPPF) to encourage Local Plans to put in place much clearer popularly-supported guidelines on local character and design, which permits some type of redevelopment that complies with these guidelines.

1 What is the smoking gun? What is the same and what is different about English housing and planning?

Worldwide there is a crisis of housing affordability in many successful cities. It is caused by low interest rates, by the high demand to live in some cities (better managed and more attractive and liveable than ever) and by the spatial and regulatory constraints which often make it hard to build new homes in or near city centres.

However, the UK's variant is worse. The ratio of average UK house prices to average incomes has doubled since 1998³. The UK had the highest growth in real house prices of any OECD country in the 45 years before 2015. An average UK home increased at nearly 4 times the rate of the OECD average. A UK House rose in price by 378 per cent from 1970 to 2015, compared with 94 per cent in the OECD as a whole⁴. This means that Britain's housing challenges are not just retarding the age of home ownership as in, for example, the US⁵. They are fundamentally changing generational fairness. A smaller proportion of people born between 1981 and 2000 are homeowners, at this stage in their lives, than for any previous generation since 1926⁶. What they are paying in rent has increased from around 10 per cent of their net income 30 years ago (15 per cent in London) to around 30 per cent now (and 40 per cent in London)⁷. This is having catastrophic consequences for standards of living and wealth inequality.

Country	Empty Homes/ 100 people	Homes Socially rented% ⁸	Credit rate % ⁹
Ireland	8.7	7	0
Spain	7.3	2.5	0
Portugal	7.0	4	0
Italy	4.5	5	0
France	3.7	18.9	0
Greece	2.8	0	0
Germany	2.2	12	0
UK	1.1	18 (8)¹⁰	0.75
Finland	5.5	15	0
Netherlands	2.5	35	0
Austria	N/A	23	0
Denmark	N/A	20	-0.65
Belgium	N/A	6	0
Average	3.7	11.9	0

Table 1: Summary of key land and credit market similarities

In times of trouble, many people turn to what they already believe. However, many facets of the English housing market routinely 'blamed' for high costs are not actually that different from other countries. Credit rates are not lower (0.75 per cent bank base for sterling versus 0 per cent for the Euro area)¹¹, with a low cost of debt typically inflating asset prices). The overall proportion of publicly owned homes in the UK (18.6 per cent) is not lower than the EU average (10.8 per cent). In fact the UK has the highest single quantum of homes rented at below market rates. Nor are there more empty homes (there are far fewer).

Looking at data comparatively, it is hard to escape the conclusion that we just don't have enough homes in the right places. Nationally our ratio of homes to households (0.99) is one of the tightest in Europe (average: 1.12). Nor does this reflect suppressed household formation due to high prices.¹²

There are many economic and other studies that demonstrate that 'greater' regulation of housing markets tends to be aligned with constrained supply and higher prices.¹³ However, it is difficult to argue this simplistically in Britain. The annual supply of planning permissions is now outstripping the government's annual target (of 300,000) and the gap between homes permitted and homes completed is widening (from less than 100,000 seven years ago to nearer 200,000 in 2016-17).¹⁴ Perhaps the only problem is the industry's ability to keep up with permissions?¹⁵ Do we just need more bricklayers and new building methods not less planning?

Country	Homes per inhabitants	People per home	Homes per household
Greece	0.59	1.7	1.46
Portugal	0.556	1.8	1.45
Austria	0.555	1.8	1.17
Spain	0.538	1.9	1.37
Finland	0.534	1.9	1.00
Denmark	0.491	2.0	1.19
Belgium	0.473	2.1	1.13
Ireland	0.440	2.3	1.18
UK	0.437	2.3	0.99
Netherlands	0.429	2.3	1.00
France	0.423	2.4	1.18
Luxembourg	0.406	2.5	0.97
Poland	0.360	2.8	0.99
Average¹⁶	0.492	2.0	1.12

Table 2: Homes to household ratios¹⁷

Also supportive of not finding 'planning' to be the problem is that our level of regional spatial planning is similar to many countries. Only Italy and Spain have completely regionalised systems. Our level of green belt protection of existing settlements is comparable to Holland and Denmark. Both have very similar population densities to South East England and also have urban containment policies in many ways very similar to our, more lyrically named, green belts. Many commentators appear to think that Britain takes a radically different to land value capture or paying for infrastructure provision to most other countries. But this is not correct. Germany is quite an outlier in permitting public purchase of land at unimproved valuations.¹⁸

Components of system	British planning versus international norms
1. Governance and control	Broadly comparable
2. Green belts and urban limits	Modestly different
3. Sharing of land value capture and incentives	Broadly comparable
4. Land assembly and infrastructure	Modestly different
5. Rules of predictability	Fundamentally different
6. Stakeholders	Modestly different
7. Penalties	Broadly comparable
8. Enforcement	Broadly comparable

Table 3: Summary of key planning differences and similarities¹⁹

However, there is a smoking gun. The English planning system is not rules-based but operates on a more discretionary case by case basis. A new building in England needs a building permission – which is a 'tick-box' exercise based on building codes. It also needs planning permission which is a case by case judgement by a planning officer.²⁰ This judgement is, in turn, based on the local plan which is a policy document not a regulatory one. It gives principles and guidance. It does not set rules. This is the fundamental difference to nearly all other approaches to land use regulation (partial exceptions being Ireland, other parts of UK, Portugal and some though reducing elements of the Australian approach.)

Test of good planning	Performance of current approach	Test of good planning	Performance of current approach
Stable and politically acceptable	POOR	Being targeted with minimised side effects	POOR
Sufficient homes in right place	VERY POOR	Being capable of adapting	POOR
Safe homes	MIXED	Not being susceptible to 'producer capture'	MIXED
Homes of the right quality aligned to how people want to live	POOR	Permitting funding of infrastructure & amenities	POOR
Helping ensure new homes are broadly acceptable to the community	POOR BUT IMPROVING	Not preventing development finance	POOR
Not creating wider environmental consequences than acceptable	MIXED	Permitting provision of sub-market Housing	HISTORICALLY GOOD BUT NOW POOR
Being fair, accountable and transparent	VERY GOOD	Being predictable to permit broad market of housing providers	VERY POOR
Being efficient and quick	POOR	Managing unavoidable tradeoffs between land owners	GOOD
Being predictable and consistent	VERY POOR	Right skills, capabilities and capacity	POOR
Being proportionate	POOR		

Table 4: English planning compared to frameworks of good regulation adapted from Boys Smith (2018), *More Good Homes*, pp. 42-43

2 What are the consequences of this?

There are important advantages to this approach. If you regulate for the wrong thing (for example demanding suburban housing in city centres as much of the US has done for 70 years) than you can entrench an approach to development that is fundamentally less popular and less sustainable than alternatives.²¹ A case-by-case approach also has advantages for large sites. You can set the right framework for a new settlement without having to kowtow to older

places down the road if that is not what people want.

But there are major disadvantages as well, particularly for more modest developments within existing settlements. All standard frameworks of good regulation suggest that regulation should be predictable, certain, not subject to producer capture or to 'who you know.'²² Nearly all economic studies conclude that when regulation is uncertain, unpredictable, easy for experts to guide and hard for the public meaningfully to influence then markets become 'hard to enter' and are unduly influenced by an oligopoly of large firms and producer not consumer interests. As a recent Housebuilders Federation (HBF) argued;

*'The fragility of the standard SME business model and the inherent risk associated with planning are a source of frustration for all builders but these challenges can be disastrous for the smallest of companies.'*²³

This is precisely what has happened in England. Greater uncertainty and a slow process with major expense up-front before the right to build is certain has increased planning risk, pushed up enormously land prices which have permission and acted as a major barrier to entry for small developers, minor landowners, self and custom builders, Modern Methods of Construction (MMC) and other innovators.

The proportion of homes that small builders develop in the UK continues to decline in the face of high land prices and high planning risk and costs. Thirty years ago small builders were responsible for 40 per cent of new build homes compared with 12 per cent today. In parallel the membership of builders' professional bodies for builders has declined from over 12,215 to 2,710. During the crash from 2007-2009 the industry lost more than one-third of its companies.²⁴

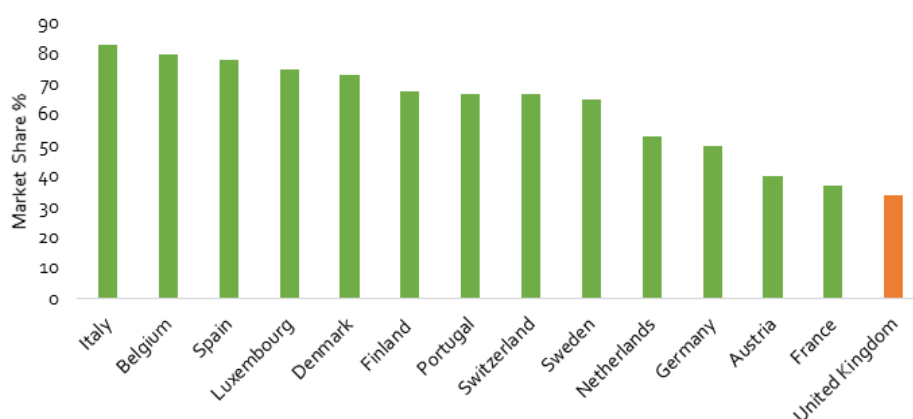


Chart 1: comparison of SME self-build & custom build in the United Kingdom compared to Europe. Defined as proportion of production value of residential and non-residential building construction, 2015. Companies below 50 employees. Data from Eurostat

In a recent survey of over 500 small firms, they were very clear that their main challenges were the planning process and associated risks, delays and costs. 38 per cent (the highest number) voted this their primary challenge and 31 per cent the second highest. Only the (deeply interconnected) problem of land prices was comparable. Most firms felt that the costs associated with the planning process were getting worse. 60 per cent felt that the length of time and unpredictability of the planning were a serious impediment to delivering houses. Main concerns were: 'the length of time it takes to achieve a decision, the unpredictability and inconsistency of the process, the fees and tariffs involved, and the internal resourcing of, and communication with, planning departments'. Factors such as these, and the pre-application process, are now greater concerns for small house builders and developers than in 2014.²⁵ In the latest available data smaller British firms built fewer new buildings proportionally than any other European country.

Increased risk from uncertainty constrains new market entrants reducing their number especially as they cannot fund via cash from sales from historic development meaning they are very exposed to greater cash burn from delays.

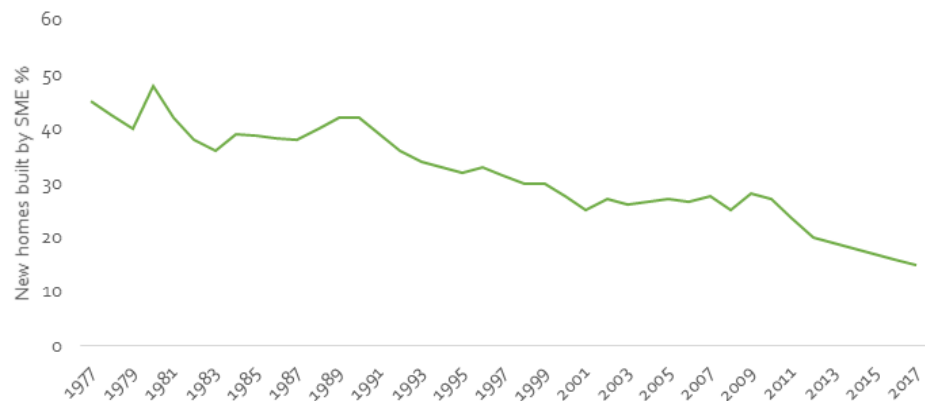


Chart 2: decline in English SME new built homes. Percentage of new homes built by SMEs (1-100 units pa) Chart from 2017 HBF report: Reversing the decline of small housbuilders. (NHBC data)

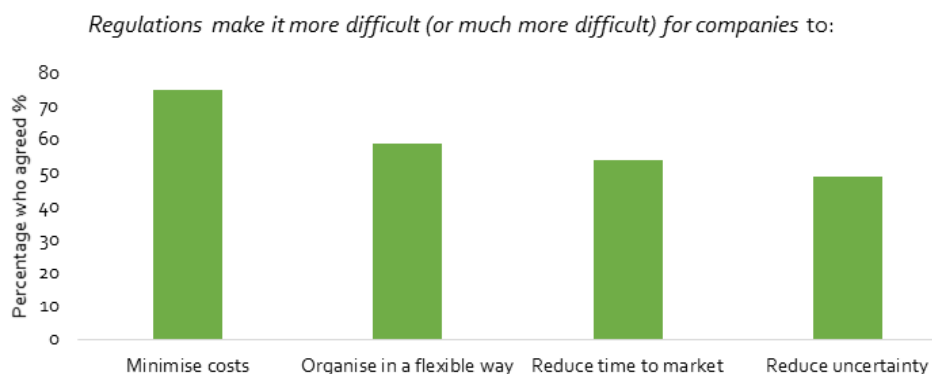
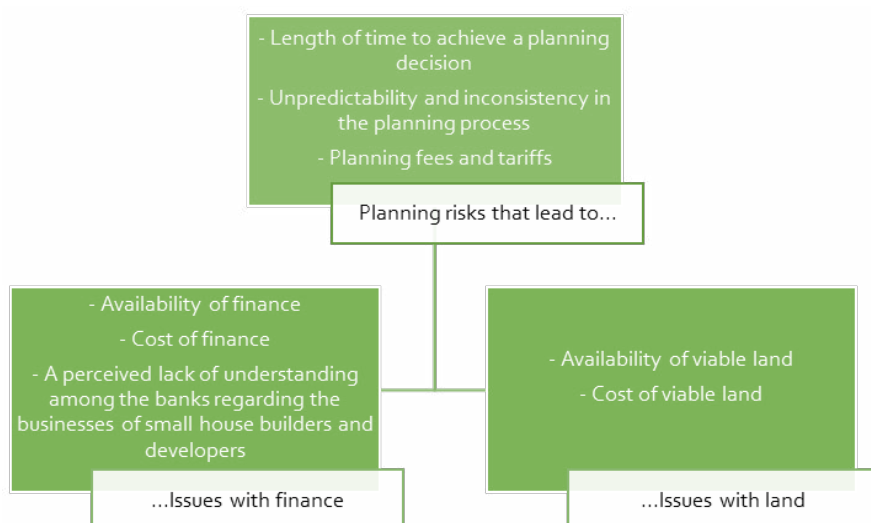


Chart 3: chart from wider economic studies on regulatory risk & levels of innovation.²⁶

This is even more the case for new technologies such as MMC. Delays in planning disrupt production schedules, decrease factory utilisation, make production less efficient, increase product cost and make harder to succeed. Lack of competition leads to higher priced and lower quality homes for the public and in turn to more opposition to new housing. In recent surveys of British public opinion, concern over poor quality of development plays a consistent role in opposition to new development with between 54 and 66 per cent of opponents citing it as a primary reason.²⁷

Many complaints about 'lack of land' or 'lack of finance' in the housing market are actually complaints about planning risk. The land is there, it just does not have permission to build. There is money to invest in property. But it will always focus on larger operators or very experienced individuals who can manage the cash flow and risks of the current high-risk planning and development process. Money for higher risk sites or less experienced operators will always be more expensive. This is why so many community housing schemes or potential Community Land Trusts have to rely on government or charitable funding. No-one will fund the early stage work commercially because the risks are too high.



Showing how planning risk impacts availability of land and finance. Key concerns from NHBC (2017) 'Small house builders and developers' current challenges to growth'

3 What can we do about this? Direct Planning to make what can be built more predictable and more popular

International comparisons always need to be made carefully as circumstances are never the same. Nevertheless, the countries which are coping best with the revival of the city over the last generation seem to be ones which are permitting building readily for a wide market within a strong and predictable regulatory system. Examples include Holland, some bits of the US and Japan with its strong rights to build.²⁸ For example, in 2014 there were 142,417 housing starts in the city of Tokyo alone (population 13.3m) compared to about 137,000 in all of England (population 54.3m). Over 400,000 custom-built new homes are built annually in Japan - almost four times the size of the entire UK new homes market.²⁹ From 1995 to 2015 house prices rose by over 400 per cent in London. Prices were almost flat in Tokyo and actually fell nationally.³⁰

England too should introduce more predictable planning for mass market new homes and for simpler situations. We should stop treating all development as bespoke process and 'move the democracy forward' where possible from the development control process to the setting of the local plan. Then, as in the US or much of the Europe, the (important and necessary) democratic debate can take place at the plan-making stage not the development-specific stage.

Direct planning based on a strict rules-based framework could therefore provide a faster and more popular approach to the majority of house building, aside from large and complex developments. Barriers to entry would be lower. Neighbourhood understanding and confidence in what could be built would be increased. Such an approach would have different elements for (a) increasing density within existing settlements and (b) for new settlements. This would not be a 'free for all' or a 'bonfire of the regulation'. Quite the opposite. It would simply set clearer rules for what is acceptable in most circumstances which would be under clear democratic control from both local and central government with a clear and empirical reference point back to the types of street and settlement pattern and design that people prefer and which are better aligned with high resident wellbeing and mental and physical health.³¹ This is certainly the approach suggested by Mark Farmer in his 2016 review of how to expand the MMC sector;

'Options might include exploring ways to replicate an approach to planning based on a Permission in Principle (PiP) system for pre-approved housing products with a standard typology, unit mix and

sizing ... This could be used for self-build / custom build, where clients purchase from a catalogue with automatic planning permission.⁵²

Category	Status quo	Proposed framework
1. Regulation	Bespoke system of planning permission	Predictable code-based permits for 'normal' sites
2. Larger developments	One developer with planning permission	Form based code. Easy to split site into smaller plots for multiple developers
3. Street intensification	Bespoke system for every extension	Step-up permitted development. i.e. For terracing suburbs and single storey extensions
4. Skills, process and technology	Inefficient development-control-led approach. Poor technology usage	Liberate public sector planners to focus on larger/unique sites and invest in technology skills

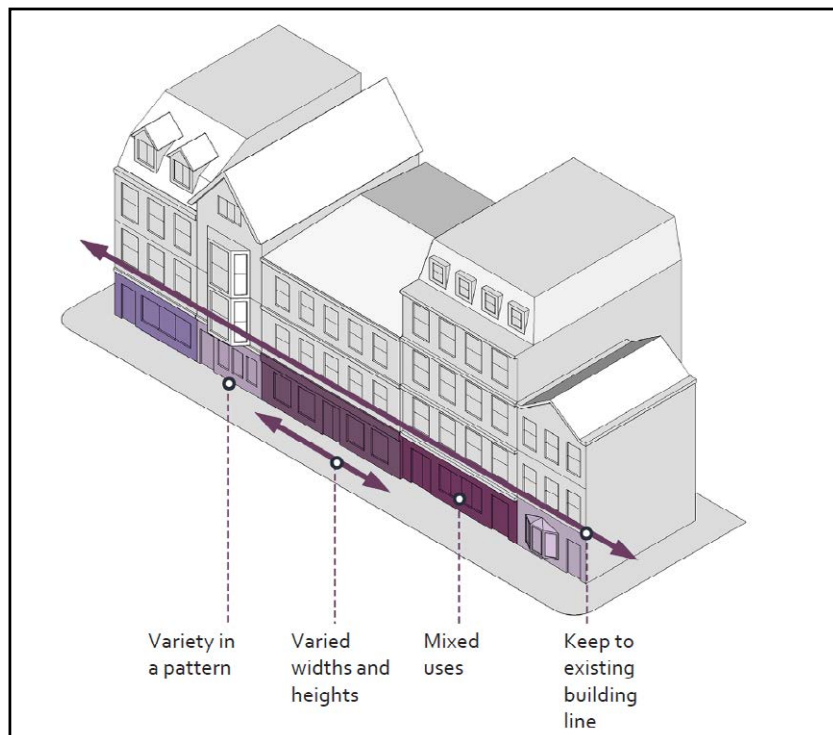
Table 5: summary of differences from status quo to proposed framework

Here are five key strategies for achieving this:

- **Better regulation** - moving from an unpredictable 'bespoke' system to one of more predictability and consistency in most cases. As is the case in most of the developed world, it would have moved from a planning permission-led system to a building permit-led system in the majority of development situations. To construct via a building-permit approach would require strict adherence to a very clear (but limited) set of rules on betterment payments (land value capture mechanisms such as CIL and S106) and design, aligned to strict and clear building regulations. If these rules were followed then approval would be a matter of course with post-construction verification wherever possible. Matters that would normally become a matter of building permit rather than planning permission would include;
 - **A non-negotiable pre-set percentage payment to local government for infrastructure spend and affordable housing** to escape the protracted delays, costs and legal wrangling over Section 106 negotiation. In essence this would mean replacing a very variable Section 106 payment and a modest pre-set CIL payment with a far larger pre-set payment (call it 'new CIL') The timing of the CIL payments

Example of part of a design code

Credits: Create Streets



should be investigated to help SME developers de-risk projects;

- A fast track for beauty - urban form and design codes with popular pre-set plans for simple housing types. Developments benefiting from the accelerated building permit route would need to follow clear rules on minimum size and provably popular (via polling with the community), visually set out design and style codes. These would lay out (via pictures and numbers not verbal and meaningless judgements over 'suitability') clear criteria on relationship to rest of the public highway, height, range of acceptable materials, bay width and fenestration pattern.
- Lowering barriers to entry on large sites via code zones. It might often not be possible to use borough or countywide pre-set rules on larger sites that are more complex. Such development sites should wherever possible take a 'Code Zone' or 'Permission in Form approach'. This would mean
 - Working to create a popular, though commercially viable and deliverable masterplan and form-based code. Development would then be possible 'as of right', via the building permit regime, for buildings that met the master plan and code;

- Splitting larger developments into a large number of pre-serviced plots would permit construction by a wider number of developers and an enhanced role for SME's, self-build, custom build and modular building as is possible in most of Europe and the US.
- Not regulating where not necessary.
 - Not regulating by stealth. It should not normally be possible for Local Planning Authorities to object to design or other elements not covered within the fast track building permit routes. For example, although one could regulate the minimum size of a home built under the building permit approach, it would not be necessary to regulate individual room sizes;
 - Still possible to innovate. If developers or landowners want to build higher density or more innovative designs with different materials or fenestration patterns then they need to apply for planning permission as at present. In this way, innovation and change are still permitted with a similar level of scrutiny as at present;
 - Impossible to reduce betterment payments or affordable housing within the building permit regime though some exceptional scope within planning permission. It would categorically not be possible for developers to change their fixed 'new CIL' payment within the building permit regime.
- Permitting the gentle and popular intensification of our streets. Until the early twentieth century and the imposition of regulations mandating suburban house forms, cities became denser as they developed. Direct Planning should (up to a point and with polling and focus groups) re-start this process by permitting one or more of;
 - Step-up building permits: as of right, building-permit mandated single storey extensions with form-based pattern books, by region and by different types of building (by age, design, materials etc.).
 - Step-up suburbs. A more radical version of the same suggestion would be to sanction Permitted Development (or new building permits) from two storey suburban housing or garages, to medium-density terraced developments, plot by plot, on a pre-approved design code. This might include translating suburban semi-detached homes into pre-approved terraced homes, or low to medium rise flats;
 - Localism step-up. Another variant would be to create the

localist mechanism to let individual streets decide to give themselves individual rights to heighten or replace existing buildings—perhaps selecting from a pre-approved list, as set out by the relevant code. Allowing streets to choose to ‘opt-in’ to a value-enhancing building permit framework.

- Valuing planning and supporting skills, process and technology.
 - Investing in digital planning, planners’ skills and planners’ careers. The need for more resources and more skills in planning has been a consistent criticism of the current situation.³³ Part of this is due to the inefficient development-control-led approach we take in this country. However, it also reflects falling budgets since 2010. The government should aim to restore pride in the crucial role that planners perform, supporting the digitising of data entry and processing, planners’ urban design skills and their confidence and knowledge of techniques of visual preference surveys and wellbeing studies. Their importance, expertise and status should be celebrated and invested in as far as possible;
 - Giving planners greater enforcement powers and greater sanctions. Without a system of detailed pre-development planning permission and with only post-construction verification in some cases, the danger of some people exploiting the system risks increasing. To help manage this robust enforcement sanctions should be greater when people clearly break building permit rules. People are freer to build but within certain constraints that help the town and city function for everyone;
 - Streamlining the planning process. There remains scope materially to improve the efficiency and effectiveness of development control for both the residual planning applications as well as for the new fast-tracked building permits. Important opportunities include; (a) Strictly limiting the length of planning (and building permit) applications. Outline planning permission was initially created to provide a light-touch way of achieving more certainty but has ended up becoming a complex process in itself with needlessly long and verbose applications; (b) Digitising data-entry and revolutionising the ability of Local Planning Authorities to automate the processing of new building permits and components of planning permission. Full or partially factory-made homes can help here as there can be a very easy and transparent route for the public, politicians and officials to inspect and review designs. Designs can also be automatically geared to respond to local requirements.

4 What are the benefits to the public and to those trying to deliver sufficient homes?

Public: the main and ultimate beneficiaries through more homes being build, more choice, lower prices, higher quality and more diversity of housing. This should lead to more competition in a more normal market and the potential for a renaissance in the quality of our housebuilding and placemaking. It should become easier for the public to design and build their own homes.

New market and third sector entrants: by making what is, and is not, buildable in most circumstances more predictable this should de-risk planning and make it easier for new entrants and new sectors to disrupt the market and gives customers more choice within a publicly regulated framework.

Planners: Resource constrained local planners will have more time to focus on large, complex or contentious sites. In short, they will have more time to plan and help the evolution of settlements and will be less overwhelmed by micro-regulation.

Politicians: The 'democracy gets brought' forward more into the plan-making process so they would less drawn into individual planning decisions on an ad hoc basis.



Chart 5: house price growth has outpaced average wage growth over the last 20 to 30 years³⁴

How is this different from Permitted Development as currently practiced?

The Government has made various attempts to increase clarity in planning terms and exempt certain developments from the full process of planning. These include Outline Planning Permission, Local Development Orders (LDOs), Permission in Principle and 'Permitted Development' for home extensions and for office-to-residential change of use.

LDOs have not so far taken off as councils have not been willing to reduce their own power.³⁵ Outline Planning Permission has proved too long and complex and has not reduced risk sufficiently. As a recent RTPI report concluded:

*'While simple in its conception, it has developed into a lengthy process that requires considerable upfront investment for preparation of masterplans and other technical documents. It can also still leave significant uncertainty about so-called reserved matters that need to be agreed later.'*³⁶

'Permitted Development' for office-to-residential change of use has had more impact. The number of additional homes delivered through change of use increased from 12,520 in 2013-14 to 30,600 in 2015-16. This was nearly 19 per cent of new homes in 2015-16. Much was clearly due to de-regulation.

However, there are many critics. Permitted Development has been attacked for reducing quality, levels of affordable housing and developer contributions. A RICS study of the extension of Permitted Development in just five local authorities found they may have lost £10.8m in planning gain and 1,667 affordable housing units from approved conversions.³⁷ The report also criticised the small size of such new homes.³⁸ A similar but less ambitious policy which exempted the change of use from planning permission but which nevertheless required a larger pre-set CIL payment and which set minimum home sizes and basic standards might have been a way to evolve the policy with wider political consent— necessary if the reform is to be sustainable.

There is therefore a very important conceptual difference between what is being proposed here and current policy. Permitted Developments have exempted some types of development entirely from the planning system without using regulations, in any way, to manage quality beyond basic building regulations of size and safety. What we are proposing here would include metrics of quality defined locally within a national framework. But these metrics would be standardised requirements whose compliance is required for a simpler and more confident right to build.

5 What might long term metrics of success be?

How would we know if we were succeeding? Here are six suggested key performance indicators (KPIs) with which we could measure success. All are indicative rather than set in stone.

- **KPI 1. Level of opposition to new housing.** One goal might be to reduce this from about 21 per cent at present to something nearer 10 per cent.³⁹
- **KPI 2. Proportion of SME housebuilders.** The goal should be to bring this nearer the European average at about 60 per cent.⁴⁰
- **KPI 3. Proportion of market entrants.** The goal should be to increase this though more work is needed on what the right metric and target is.
- **KPI 4. Proportion of self and custom-build developments in the market.** The goal should be to bring this in line with the European average at around 40 per cent.
- **KPI 5. Market share of Modern Methods of Construction.** It is a little harder to set a target for this but one aim might be to increase it from about 7 per cent at present to over 30 per cent.⁴¹
- **KPI 6. Average time from Land acquisition to build out.** One goal might to reduce this on large sites from a typical 15.5 years to around 8 years in line with the recommendations of the Letwin report.⁴²

6 What action can be taken now and in the future?

The good news is that the Government has announced its intention to examine these issues. There are also steps that can be taken immediately that would continue to improve the situation even within the framework of the Government's new National Planning Policy Framework (NPPF):

- The Government should issue guidance to the new NPPF to encourage Local Plans to put in place clear guidelines on popular local character (simple short, so-called 'form-based design codes' including materials). The next iteration of the NPPF should be adjusted in the same direction.
- Simple minimum size standards could be included in Building Regulations.
- Permitted Development could be widened to include redevelopment but also required to be subject to 'prior approval' on external appearance based on local Built Character Assessments. Permission in Principle could be adapted in the same way so that it must follow clear guidance.
- Permitted Development, Permission in Principle and LDOs should all be subject to a higher and invariable CIL charge to make up for the lack of Section 106 payments with their complicated and protracted negotiations.

- Districts should be expected to allocate sufficient land to meet at least the full 'standard methodology' for housing need. This will focus minds and help ensure that districts, parishes and neighbourhood forums focus on the quality and form of what is built.

In the longer term a more streamlined process than Permitted Development with prior approval will probably be necessary. Primary legislation may be necessary to establish a more comprehensive shift from 'case by case' planning to 'rules-based' predictable planning where appropriate, using a building permit approach within clear form-based codes with local variety.

7 Conclusion: a tale of two futures

What might the future be like for Thomas and Rebecca when they are 50 in 2044? In one vision, some version of these changes has happened. What does this mean in practice? It means a mixed and open economy of house-builders and place-makers better able to invest in new buildings and developments which are more likely to be responsive to public preferences.

In a second vision of the future, these changes have not happened. The Government (as at present) has continued to 'push' new housing down through the system by subsidising private, public and third sector developers and by subsidising first time purchasers through schemes such as Help-to-Buy. More homes have been built, but by a small number of large builders leading to sprawling, low density, 'could be anywhere' developments.

This has led to real differences in Thomas and Rebecca's adult lives and in standards of living over a generation. A mixed and open economy of house-builders and place-makers would be better able than a near oligopoly to produce the right homes in the right places for the people who need them. In consequence, during their adult lives Thomas and Rebecca will have benefited from more choice, lower prices, higher quality and more diversity of housing via more new market and third sector entrants. They will have been more likely to live in a home that suits them near to where they work or need to live. This is, surely, a vision worth struggling for.

David Milner is the Project Director at Create Streets.

Nicholas Boys Smith is the Director of Create Streets.

This report was originally drafted in June 2019

Endnotes

1. Many reports have set this out in stark statistical detail including, Boys Smith (2018), *More Good Homes, Shelter* (2014) *The house price gap*, Resolution Foundation (2016) *Housing affordability in the UK*, Onward (2018) *Green, pleasant and affordable*.
2. Self-build is people building their own home managing the process themselves. Custom-build is people selecting from a wide range of options created by a developer or co-ordinator for multiple households.
3. DCLG (2017), *Housing White Paper*.
4. <http://ec.europa.eu/eurostat/web/housing-price-statistics/data/database>
5. In the US, for example, housing challenges in popular cities are delaying the age at which people buy homes but not on the whole preventing it. See City Lab (8 Aug 2018), 'Who Owns a Home in America, in 12 Charts'
6. Corlett, A. & Judge, L. (2017), *Home Affront*.
7. O'Brien, N. (2018), *Green, pleasant and affordable*, p. 11.
8. Hilbers, P., Hoffmaister A., Banerji, A. & Haiyan, S. (2008), 'House Price Developments in Europe: a comparison', IMF Working Paper. <https://www.imf.org/external/pubs/ft/wp/2008/wpo8211.pdf>. *Housing Europe - The state of housing in the EU 2017*
9. Credit rate based on central bank base rate as of 30 May 2019.
10. 18 per cent includes the 10 per cent Council & Housing Association homes let out by Housing Associations (now formally known as Registered Social Providers)
11. Correct as of 6 June 2019.
12. Boys Smith & Toms (2018), *From NIMBY to YIMBY*, p.13 Data from Eurostat.
13. These are summarised in many studies but for a summary see Hilber, C. & Vermeulen, W. (2014), *The impact of restricting housing supply on house prices and affordability*, DCLG. Cheshire, P., Hilber, C. and Koster, H. (2018) 'Empty homes, longer commutes: the unintended consequences of more restrictive local planning' *Journal of Public Economics* 158, pp. 126-151. One 1999 study estimated that ineffective land use regulation retarded British productivity, pushing up costs by up to 40 per cent in some industries. McKinsey Global Institute (1999), *Driving Productivity and Growth in the UK economy*, p.15.
14. In 2016-7 there were 351,169 permissions granted but only 183,570 new build completions and only 217,350 net additional dwellings. House Builders Federation (2018), *Housing Pipeline Report*
15. For example, Richard Blyth head of policy at the RTPi has argued that, 'the increase in planning applications processed by planning authorities demonstrates the significant, ongoing contribution local authority planners make in England to delivery, particularly housing'. *The Planner*, (27 March 2017).
16. Not weighted by volume of housing per country. Homes per household calculated on a wider dataset than shown in table.
17. *Housing Europe (2015), The State of Housing in Europe*. European Mortgage Federation. Eurostat.
18. See Boys Smith (2018), *More Good Homes*, pp. 32-3.
19. Adapted from Boys Smith (2018), *More Good Homes*, p. 37.
20. Only in a few circumstances is planning permission not required. These include domestic extensions up to 6m from the rear wall, 8m on a detached property. Additionally, buildings in farmyards. These can be built via 'permitted development' outside the planning systems.
21. See Speck, Jeff (2019), *Walkable City* for a brilliant exposition of what went wrong in the US and how enlightened planners, communities and developers are fixing it.

22. The most influential such frameworks in the UK context are perhaps the 1997 UK government Better Regulation Taskforce and the 2005 OECD Guiding Principles for Regulator Quality and Performance See N Boys Smith, N. (2018), *More Good Homes* pp.38-43.
23. HBF (2017), *Reversing the decline of small housebuilders: Reinvigorating entrepreneurialism and building more homes*, p.21.
24. HBF (2017), *Reversing the decline of small housebuilders: Reinvigorating entrepreneurialism and building more homes*, p. 6, .p 17, p.20.
25. NHBC Foundation, (2017), *Small house builders and developers*, p.3, pp.13-24.
26. A 1994 survey by the Union of Industrial and Employers' Confederations of Europe of more than 2 500 European companies asked them to assess whether regulations made it easier or more difficult to realise six of the principal determinants of successful innovation. UNICE (1995), *Releasing Europe's Potential Through Targeted Regulatory Reform*, Union of Industrial and Employers' Confederations of Europe.
27. See summary in Boys Smith and Toms (2018), *From NIMBY to YIMBY*, pp. 69-71.
28. For a brief summary, see *Financial Times* (3rd Aug 2016) 'Why Tokyo is the land of rising home construction but not prices' and *WSJ* (2nd April 2019) 'What housing crisis? In Japan, homes prices stay flat'.
29. Barlow, J et al. (2003) *Choice and delivery in housebuilding: lessons from Japan for UK housebuilders*, pp. 134-145.
30. <http://ec.europa.eu/eurostat/web/housing-price-statistics/data/database>
31. The evidence on public preferences and an on associations between urban design with wellbeing and public health are getting clearer all the time. For recent summaries of the evidence see Boys Smith, N (2016), *Heart in the Right Street* and Iovene, M et al (2019), *Of Streets and Squares*.
32. Construction Leadership Council (2016), *The Farmer Review of the UK Construction Labour Model – Modernise or Die*, p.64.
33. It also emerged in a survey *Create Streets* ran in 2018. Boys Smith, N. (2018), *More Good Homes*, p.68.
34. Nationwide house price index.
35. See Boys Smith, N (2018), *More Good Homes*, p.44.
36. RTPI Research Paper, *Planning Risk and development*, p. 19.
37. RICS (2018) *Assessing the impacts of extending permitted development rights to office-to-residential change of use in England*, p.92.
38. RICS (2018) *Assessing the impacts of extending permitted development rights to office-to-residential change of use in England*, p.40.
39. There are many ways to measure this. This figure is based on the 2018 'Public attitudes to house building' MHCLG report taking data from the 'British Social Attitudes' survey, run annually by the National Centre for Social Research. Future tracking should use the same survey.
40. See Boys Smith N. (2018), *More Good Homes*, pp. 26-7.
41. We are measuring MMC market share for 3D primary structural systems (Category 1 as defined by MHCLG framework in 2019). 15,000 modular homes were constructed in 2017 out of a total of 217,000 according to the *Modular Construction in UK Housing' report (2017)* by Pinsent Masons. This represents 6.9 per cent of homes produced in 2017.
42. Sir Oliver Letwin, *Independent Review of build out*.
43. The National Planning Policy Framework is the document which sets out the Government's planning policies for England and how these are expected to be applied.

GET IN TOUCH

11 Mowll St
London
SW9 6BG

Phone 0203 026 0698

Email contact@createstreets.com

www.createstreets.com

