

BPF response to the Changes to the Current Planning System Consultation



British Property Federation

1. The British Property Federation (BPF) represents the real estate sector – an industry which contributed more than £100bn to the economy in 2018 and supported more than 2 million jobs. We promote the interests of those with a stake in the UK built environment, and our membership comprises a broad range of owners, managers and developers of real estate as well as those who support them. Their investments help drive the UK's economic success; provide essential infrastructure and create great places where people can live, work and relax.
2. We welcome the opportunity to respond to this consultation on changes to the current planning system. The below submission has been formulated from comments received through the BPF Planning, Residential and Industrial committees.

The standard method for assessing housing numbers in strategic plans

General BPF position in relation to questions 1-7 on the new proposed standard method for assessing housing need (pages 8-18 of the [consultation document](#))

3. The BPF strongly supports the principle of a standard method for assessing housing need and welcomes the Government's latest review of the current standard method (SM1). The introduction of the standard method has led to greater certainty in terms of plan making and decision making and combined with the introduction of the Housing Delivery Test, has started to help to address the issue of housing under-supply. The principle of a nationally revised method (and its key attributes such as simplicity, transparency and use of publicly available data) is supported by the BPF and should certainly be retained in any new method/ future review.
4. It is equally welcome that the new proposed standard method (SM2) seeks to address the various well documented limitations associated with SM1. For instance, the proposal in the consultation that SM2 should establish a minimum need figure well above 300,000 homes a year is a positive step (however it should also be acknowledged that this is a figure before local constraints are applied). A further welcome change is the inclusion of a mechanism for ensuring that the SM2 focuses need on where homes are least affordable.
5. However, despite these positive changes, SM2 (as currently proposed) carries forward certain flaws associated with SM1. For instance, a well-documented criticism of SM1 is that it has led to less homes being planned for across the North and Midlands by locking in past trends and failing to consider the future economic aspirations of these regions.
6. For example, the current standard method (SM1) sets a figure of 44,000 homes to be delivered per year across the three northern regions of the North East, the North West and Yorkshire and the Humber. However, the number of homes delivered in these three regions in 2018-19 equated to 60,000.

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7. SM2 proposes a national figure of 337,000 homes per year however only around 6000 of this increase is directed towards the north resulting in a new proposed figure of 50,000 for these regions. A target of 50,000 homes a year is around 20% below the recent rate of delivery for the north. Therefore, the target is clearly not consistent with the Government's promotion of a 'Northern Powerhouse' nor the concept of levelling up and results in significant reductions in many urban areas such as Leeds and Salford.
8. We note that many of the planning consultants from within the BPF membership have been working closely with the ministry over many years on the various iterations of the standard method for assessing housing need. The BPF would endorse the following specific suggested changes to SM2 in addition to our general comments above:
 - a. **Raise the stock growth rate from 0.5% to at least 0.75%** to better reflect underlying housing need, provide a stable basis for longer term planning, and focus most new homes towards larger urban areas; **and**
 - b. **Modify the affordability adjustment to address undeliverable increases** while retaining the focus on increasing supply in areas where housing is least affordable. This could be achieved by the introduction of a limit on the scale of the adjustment to ensure no authority is required to more than double its baseline need or through a reduction in the multiplication factor used in the formula.

Delivering First Homes

Q8: The Government is proposing policy compliant planning applications will deliver a minimum of 25% of onsite affordable housing as First Homes, and a minimum of 25% of offsite contributions towards First Homes where appropriate. Which do you think is the most appropriate option for the remaining 75% of affordable housing secured through developer contributions? Please provide reasons and / or evidence for your views (if possible):

- i) **Prioritising the replacement of affordable home ownership tenures and delivering rental tenures in the ratio set out in the local plan policy.**
- ii) **Negotiation between a local authority and developer.**
- iii) **Other (please specify)**

9. We support the Government's view and therefore option i. We agree that the best approach is to replace existing affordable home-ownership product with First Homes, and then once the 25 per cent of First Homes is delivered any remaining affordable housing requirement should be delivered in proportion to local plan policy. As the consultation paper explains option 1 provides greater clarity to developers.

Q9: Should the existing exemptions from the requirement for affordable home ownership products (e.g. for build to rent) also apply to apply to this First Homes requirement?

10. Yes, we support the current Build to Rent exemption. This was only introduced in national planning policy in 2018. At the time, the Government recognised that the predecessor 'Starter Homes' policy would not sit

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well with Build to Rent and a commuted sum would deliver a sub-optimum outcome for the community. There was also a keenness to promote Build to Rent for the diversification and additionality it provided to housing supply, and improvements it made to the quality of private rented sector housing. The Affordable PRS product (also known as Discounted Market Rent) codified in the NPPF reflected its wide use by local planning authorities, who recognised the different practical challenges and development economics that Build to Rent providers face.

The exemption is vital to the Build to Rent sector, because:

- a. It recognises the practical realities of institutional investors wanting to invest in Build to Rent. For reasons of efficiency, investors want to be able to manage whole blocks. Broken blocks that have a mixture of rental and owner-occupied apartments are expensive to run and the property manager would have to set up a separate regime for owner occupiers, with leases, service charges, etc. This would in turn impact on the viability of Build to Rent.
- b. Owners and managers place a lot of importance on their service offer and their reputation, with some adopting brands, such as Get Living, Uncle, Tipi and Fizzy Living. Allowing First Homes within a Build to Rent block would mean owners and managers losing control of their brand. It would be like a major hotel operator allowing a private individual to buy a few units in their hotel and then that person renting them out on Airbnb. Owner-occupiers understandably want more autonomy when they buy a flat to choose their own suppliers, make alterations to their flats, and so on. Delivering a consistent service that supported their brand would be very difficult for Build to Rent providers in those circumstances. Controlling disputes, such as anti-social behaviour, would be another challenge and would involve complex lease structures to control.
- c. Institutional investors want to be able to trade their assets with other investors and therefore adjust their investment portfolios to their investment strategies. Broken blocks with First Homes within them would be very hard to trade.
- d. First Homes would change the nature of returns an investor receives from a Build to Rent development. Investors in Build to Rent are primarily pension funds investing for long-term income and therefore rental returns rather than capital receipts. First Homes will deliver an upfront capital receipt, but that is not what investors are seeking.
- e. The Affordable PRS product, which the NPPF identifies as the best form of affordable housing provision on Build to Rent developments, delivers significant benefits to tenants. The affordable units are usually pepper-potted and there are no 'poor doors'. The residents all receive the same access to communal services, and their flats are fitted out with the same specification as 'market' units.

11. More generally, Build to Rent is a product which lends itself well to riskier urban development on brownfield sites which will often not be sought by build-for-sale developers. Without the Build to Rent exemption the Government will lose a lot of the additionality from Build to Rent development, and regeneration, placemaking and quality renting that goes with the sector, with little commensurate increase in First Homes.

Q10: Are any existing exemptions not required? If not, please set out which exemptions and why

No response.

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Q11: Are any other exemptions needed? If so, please provide reasons and /or evidence for your views.

No response.

Q12: Do you agree with the proposed approach to transitional arrangements set out above?

12. We support the broad approach set out in paragraphs 56 to 58. This strikes a balance between the policy objective of introducing First Homes and allowing local planning authorities with plans in process to continue based on previous policies.

Q13: Do you agree with the proposed approach to different levels of discount?

13. We support this approach, which allows local authorities to adjust levels of discount to local market circumstances.

Q14: Do you agree with the approach of allowing a small proportion of market housing on First Homes exception sites in order to ensure site viability?

14. We support exempting First Homes from CIL obligations, but that should apply to all affordable housing types as defined in Annex 2 to the NPPF. It makes no sense to charge CIL on affordable housing as it simply reduces its supply.

15. We also support the proposal that some market housing on exception sites should be allowed to make such sites viable for development.

Q15: Do you agree with the removal of the site size threshold set out in the National Planning Policy Framework?

16. We do not agree. By their very name these are meant to be 'exceptions' and most larger sites should be brought through the land supply identified in a local plan. No rationale is given in paragraph 65 of the consultation paper to justify the policy change, or evidence given to explain its impact.

Q16: Do you agree that the First Homes exception sites policy should not apply in designated rural areas?

17. We agree that rural exception sites often reflect the very specific needs of rural communities and the policy should not apply.

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Supporting small and medium-sized developers

Q17: Do you agree with the proposed approach to raise the small sites threshold for a time-limited period? (see question 18 for comments on level of threshold)

18. We are on balance supportive. Government has weighed up the need to support SME developers through difficult times, with the predicted loss of affordable housing. We are not wholly comfortable with the loss of affordable housing but can understand in such challenging times that a temporary measure can be justified.
19. A concern is any behavioural change in local planning authorities. They may try and mitigate such losses of affordable housing by seeking to extract more from larger sites. Whilst Government may take the view that larger developers can better negotiate, the delay itself in protracted negotiations may hurt delivery overall, meaning the net gain in market housing as a result of this policy is less than the Government anticipates.

Q18: What is the appropriate level of small sites threshold? i) Up to 40 homes ii) Up to 50 homes iii) Other (please specify)

20. It is difficult to judge the appropriate level based on the percentages that are set out in the consultation paper. In trying to come to a judgement the absolute figures are probably a better indicator of the policy impact. Therefore, based on 2018/19 figures of 44,500 affordable units, a threshold of 40 homes and 7-14% impact would equate to 3,115 to 6,230 fewer affordable homes, and for 50 homes a range of 10-20% equates to 4,450 to 9,900 fewer affordable homes.
21. It is worth stressing that such units are not lost overall and would be delivered as market housing, but any loss of affordable housing clearly has temporary impacts and those impacts will be focused on some areas of the country.
22. Given the breadth of ranges and how that translates into absolute numbers of fewer affordable homes we would support Government proceeding cautiously and support a 40 homes threshold.

Q19: Do you agree with the proposed approach to the site size threshold?

23. The BPF is not a representative body of many small SMEs. We do, however, have some medium-sized businesses in membership and if the policy intent is also to support the 'M' in SMEs, then having a size threshold, as well as a unit number threshold, is helpful to those businesses. The suggestion that the site size threshold should increase proportionately with the unit threshold seems appropriate, and thus if 40 units the threshold would be 2 hectares, and if 50 units then 2.5 hectares.
24. One of the parts of the sector that tends to suffer disproportionately in a downturn is those developers focused on flats. Developing flats is riskier, because occupation can only take place when all the units are complete, whereas the development of houses can be staggered and phased to reflect economic

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circumstances. We think a site size threshold would particularly support medium-sized developers of flats and much needed urban development.

Q20: Do you agree with linking the time-limited period to economic recovery and raising the threshold for an initial period of 18 months?

25. A common concern is whether the timescale of 18 months is the best one? If the policy intent is to support new developments to come forward, then 18 months is probably too short. If the intent is to simply support some developments that are already advancing and may need additional support, because the economics of those developments have changed, then the timeframe of 18 months may be more appropriate.

Q21: Do you agree with the proposed approach to minimising threshold effects?

26. We would not want to see the provisions abused and therefore support Government's intentions as described in paragraph 81. of the consultation paper.

Q22: Do you agree with the Government's proposed approach to setting thresholds in rural areas?

No response.

Q23: Are there any other ways in which the Government can support SME builders to deliver new homes during the economic recovery period?

No response.

Extension of the Permission in Principle consent regime

Q24: Do you agree that the new Permission in Principle should remove the restriction on major development?

27. We support the removal of the restriction in the current Permission in Principle (PiP) Regulations on major development to enable applications to be made on a far wider range of sites; thus enabling more developers and landowners to use the route to secure planning permission for various uses. The operational requirements of modern industrial uses mean that they can require larger units and can be more land-hungry than previously was the case. This is due to the need to accommodate, inter alia, delivery and servicing vehicles.

28. Taking the significant growth area of urban logistics as an example, investors and e-commerce developers are keen to develop brownfield sites that offer 30-minute drive time access to inner cities. These facilities can breathe new life into redundant, previously developed sites without needing to be housing-led. Urban Logistics facilities would, however, typically be classed as major development, given the nature of their operations means they would require more than 1,000m² of floorspace and a site larger than 1 hectare in size. Consequently, they could not be delivered under the current PiP regime. Removing the current

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restriction on major development would, therefore provide a new opportunity for the delivery of urban logistics, that are crucial to the economy and satisfying modern societal needs, whilst at the same time regenerating certain areas in line with the Government's ethos of making effective use of land, as set out in Section 11 of the NPPF.

29. It is noted that PiP applications can be made in respect of both brownfield and greenfield land. Mindful that the Planning Practice Guidance (PPG) requires the locational requirements of logistics and new specialist sectors (e.g. high tech, engineering, digital, creative and last mile) to be considered in plan-making and decision-taking alongside more traditional industrial uses, it is considered that this amendment can facilitate the expeditious delivery of these important uses in a variety of planning contexts. Notwithstanding the fact that the EIA Regulations 2017 and Conservation of Species and Habitats Regulations 2017 will preclude some environmentally impactful developments from benefitting from PiP, the fact that the Schedule 2 EIA Screening threshold for 'industrial estate development projects' is 5 hectares means there is still potential for significant developments to be brought forward via this amended planning route (i.e. major development that does not trigger EIA).

Q25: Should the new Permission in Principle for major development set any limit on the amount of commercial development (providing housing still occupies the majority of the floorspace of the overall scheme)? Please provide any comments in support of your views.

30. We support the PiP route not setting a limit on the amount of commercial development and believe this should be considered on a case-by-case basis. As set out above, both the EIA Regulations 2017 and Conservation of Species and Habitats Regulations 2017 do place limitations on any development that would involve a large quantum of development that, in turn, has significant effects on the environment or protected species/habitats. Such development cannot be brought forward through the PiP procedure.
31. We recognise that when PiP was conceived through the Housing and Planning Act 2016 it was viewed very much as a mechanism to increase housing development and this has continued given the obligation for schemes to be 'housing-led'. We do, however, believe there is scope for its powers to be extended to enable the delivery of schemes comprising other uses without them being housing-led. Investors and developers bringing forward commercial development are no different to housebuilders in that they too would like to benefit from the upfront certainty that the PiP process provides before development gets into more costly, technical matters. Furthermore, there may be instances where sites are not suitable for housing but are for alternative uses, or where a use is suitable for a site but is incompatible with housing. The delivery of such site are prejudiced by the requirements of the current system.
32. As stated in the current consultation we believe that commercial development is no less important than housing as a vital component of sustainable and balanced neighbourhoods. Indeed, the BPF's recent publication *What Warehousing Where?* (March 2019) has demonstrated the inextricable link between housing and warehousing because of increased online spending and changing consumer habits. These have been accentuated by the COVID-19 pandemic to the extent that warehousing should arguably be viewed as essential infrastructure in the same way as electricity and water supply. As such, extending the application of the PiP in this manner would uncover new opportunities to deliver this essential infrastructure and the associated economic benefits that come along with it. With economic recovery a high priority on the Government's agenda, surely any procedural amendments that can facilitate the expedient delivery of jobs and business rates should be fully exercised.

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Q26: Do you agree with our proposal that information requirements for Permission in Principle by application for major development should broadly remain unchanged? If you disagree, what changes would you suggest and why?

No response.

Q27: Should there be an additional height parameter for Permission in Principle? Please provide comments in support of your views.

No response.

For further information please contact:

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