

**Question 1: Do you agree that we should reverse the December 2023 changes made to paragraph 61?**

Yes. The Government has committed to oversee delivery of a hugely ambitious 1.5 million new homes within this parliamentary term, but arguably the requirement could be higher. Indeed, research by the Home Builders Federation (HBF) found that England is the most difficult place in the developed world to find a home, with the lowest number of available properties per member of the population of all OECD nations and 25% fewer homes per 1,000 population than other near-sized economies like France and Italy<sup>1</sup>. Furthermore, a report commissioned by the National Housing Federation and Crisis from Heriot-Watt University<sup>2</sup> suggested that 340,000 homes should be built every year; the Centre for Cities puts the requirement at 440,000; and analysis by the Financial Times<sup>3</sup> suggests that the figure could be as high as 529,000 if current net migration levels are maintained.

Analysis by Lichfields for HBF and LPDF puts the current shortfall of homes at 2.1 million, rising to close to 3 million by 2030, and suggests that 2.4 million extra homes would be needed to match the per capita average of comparable northern European countries.

The most recent Housing Delivery Test (HDT) results<sup>4</sup> reveal that the combined annual monitoring benchmarks for Local Planning Authorities (LPAs) are well below 300,000 (in 2022 they totalled 259,000) and the cumulative requirements in local plans currently add up to just 230,000<sup>5</sup>.

The December 2023 changes to the National Planning Policy Framework (NPPF) had a calamitous effect on housing supply, undoing much of the good work inherent in the establishment of the NPPF in 2012. The full consequences of the changes are still yet to be seen, but output has fallen and will likely fall further before it rebounds. MHCLG statistics on the issuance of Energy Performance Certificates, the best proxy for recent home building, showed that 229,700 new homes were built in the twelve months to Q2 2024, a 5% decrease on the previous year. Statistics on planning consents have showed steeper falls.

As the Competition and Markets Authority (CMA)<sup>6</sup> identified, an insufficient number of planning permissions have been granted to meet a 300,000 target.

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<sup>1</sup><https://www.hbf.co.uk/news/housing-horizons-new-analysis-shows-true-scale-of-how-uk-housing-is-falling-behind-international-counterparts/>

<sup>2</sup> <https://researchportal.hw.ac.uk/en/publications/housing-supply-requirements-across-great-britain-for-low-income-h>

<sup>3</sup> <https://www.ft.com/content/32846f68-52fd-40e1-9328-0fe6bb3b9c19>

<sup>4</sup> <https://www.gov.uk/government/publications/housing-delivery-test-2022-measurement>

<sup>5</sup> <https://lichfields.uk/blog/2024/july/05/a-new-dawn-has-broken-has-it-not>

<sup>6</sup> <https://www.gov.uk/cma-cases/housebuilding-market-study>



The CMA cited Lichfields research which observed that delivering 300,000 homes annually would require a stock of approximately 1.4m homes with permission at any one time and the approval of approximately 350-375,000 dwellings a year.

With HBF's most recent Housing Pipeline report<sup>7</sup> finding that in the twelve months to June 2024 the number of new homes being granted permission was the fewest for over a decade, the need to significantly boost the supply of land upon which homes can be built is stark and ever more pressing.

Whilst the removal of the reference to the standard method being advisory is welcomed, the proposed amendment also deletes reference to the standard method being a starting point. As drafted, the standard method could then be interpreted as a minimum requirement, which is, firstly, not consistent with the need to boost the supply of new homes, and, secondly, unhelpful in the context of meeting the needs of a wider housing market area. It may be helpful, therefore, for the National Planning Policy Framework (NPPF), rather than Planning Practice Guidance (PPG), to make clear that LPAs can and should continue to use the standard method as a starting point upon which there is a need to consider going beyond to support wider economic, regeneration or housing needs.

In a similar vein, whilst the word 'sufficient' is to be removed from the first paragraph of the NPPF, it remains (whilst an oversight no doubt) in the title of Chapter 5. 'Sufficient' will not build 1.5 million new homes and if the title of Chapter 5 is to be amended there is perhaps an opportunity to be emphatically reflect the Government's stated ambition.

Government should be realistic about the time it is likely to take for these positive reforms to the NPPF to be fully implemented at a local level and for the housing supply impacts to be seen. This reality is likely to significantly affect the deliverability of the 1.5m homes target. Analysis by Lichfields and appended as Appendix 1 shows that, whilst several LPAs would immediately take on the new standard method figures for decision taking (through out-of-date plans and a lack of five-year housing land supply), a notable proportion would continue to operate under lower housing need figures. This would include approximately 30% of LPAs with a local plan adopted within the past five years alongside around 50 LPAs that could expect to benefit from the transitional arrangements set out at Annex 1 of the draft NPPF. The new standard method and its 370,000 annual target therefore remains an elusive prospect.

HBF welcomes the tone, spirit and ambition of the new Government's agenda as expressed by the proposed changes to the NPPF. It is respectfully suggested, however, that even greater boldness may be required. Not only should the changes to Paragraph 61 be reversed but every other proposed change should be judged against the extent to which it will contribute towards significantly boosting the supply of new homes to the extent required to meet the Government's 1.5 million home ambition. That is the test that runs through HBF's consultation response.

**Question 2: Do you agree that we should remove reference to the use of alternative approaches to assessing housing need in paragraph 61 and the glossary of the NPPF?**

Yes. The case for the use of a standard method remains as strong as when first introduced, but for it to be as effective as possible it must be *the* basis for local plan-making and not a basis for local plan-making.

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<sup>7</sup> [https://www.hbf.co.uk/news/housing-pipeline-report-q2-2024-published-sept-2024/?pk\\_campaign=newsletter\\_6982](https://www.hbf.co.uk/news/housing-pipeline-report-q2-2024-published-sept-2024/?pk_campaign=newsletter_6982)



**Question 3: Do you agree that we should reverse the December 2023 changes made on the urban uplift by deleting paragraph 62?**

The urban uplift was a product of the gap between the outcome of the current standard method and the national ambition for housebuilding. Critics decried its arbitrary nature and many of the LPAs subject to it have not been planning to accommodate it. HBF supports the proposed change to a stock-based standard method and the short and long-term measures to distribute unmet housing need deriving from towns and cities across their wider housing market areas.

**Question 4: Do you agree that we should reverse the December 2023 changes made on character and density and delete paragraph 130?**

Yes. It is entirely right that every opportunity be taken to maximise the efficient use of land.

**Question 5: Do you agree that the focus of design codes should move towards supporting spatial visions in local plans and areas that provide the greatest opportunities for change such as greater density, in particular the development of large new communities?**

Yes. Design codes prepared in parallel with the promotion of local plan allocations or in parallel with masterplans to promote development within regeneration priority areas will be of much greater practical benefit than area-wide design codes.

It should be noted that when design codes and guidance are prepared in advance of a planning application the requirements can be factored into viability appraisals and incorporated into design solutions. Design codes and guidance that emerge once a planning application has been submitted can result in significant delays whilst the cost implications are considered.

**Question 6: Do you agree that the presumption in favour of sustainable development should be amended as proposed?**

Yes. The reversal of the December 2022 changes to the operation of the presumption in favour of sustainable development are welcomed.

Of the specific changes proposed, as the consultation material notes, much time has been given over to the question of what policies are ‘most important’ for the determination of an application when the presumption is triggered and so this is welcome clarification.

There is reference in the consultation material to developers ‘using the presumption to promote low quality, unsustainable development’ (which it is assumed are subsequently refused planning permission), but this is not an assertion recognised by HBF and its members.

HBF consequently has no truck with greater emphasis in the presumption to locational, design and affordable housing policies, but it is interesting to note in the context of ‘strengthening and reforming the presumption’, the title of this section of the consultation document, that this is the only material change to the operation of the pre-December 2022 version of it.



Whilst a few LPAs would immediately take on the new standard method figures (see below) for decision-making (through out-of-date plans and a lack of five-year housing land supply (5YHLS)), many are likely to be Green Belt authorities where the presumption does not bite. The presumption itself is not to be triggered in any more circumstances than the pre-2022 version and so whilst access to it might be broadened in the short-term, it has not of itself been strengthened and arguably, it could be said, has been diluted by virtue of the proposed additions. These, again it could be argued, introduce additional factors to be considered in the planning balance without clear direction as to how they should be applied and may work against the encouragement of granting planning permission where plan policies are not up-to-date and / or where there is an insufficient supply of land.

**Question 7: Do you agree that all local planning authorities should be required to continually demonstrate 5 years of specific, deliverable sites for decision making purposes, regardless of plan status?**

Yes. As stated, if 300,000 homes a year are to be built then not only do 300,000 homes need to be planned for but there needs to be a rolling stock of around 350,000-375,000 planning permissions granted on an annual basis.

An ongoing and consistent identification of sites for new homes provides a strong market signal to home builders and other developers investing in land, labour and supply chains.

**Question 8: Do you agree with our proposal to remove wording on national planning guidance in paragraph 77 of the current NPPF?**

Yes. The discounting of past 'over-supply' is inconsistent with significantly boosting the supply of housing.

**Question 9: Do you agree that all local planning authorities should be required to add a 5% buffer to their 5-year housing land supply calculations?**

Yes.

**Question 10: If yes, do you agree that 5% is an appropriate buffer, or should it be a different figure?**

On the basis that the 20% buffer where there has been significant under delivery of housing over the previous 3 years is to remain, 5% is an appropriate buffer, but evidently the higher the buffer the greater the extent to which an 'over-supply' of consents can be achieved.

**Question 11: Do you agree with the removal of policy on Annual Position Statements?**

Yes. Despite being seldom used (only two LPAs will be submitting an APS this year<sup>8</sup>), the need to demonstrate a five-year housing land supply should be seen as a positive and forward-thinking endeavour and not a defensive, backward-looking one.

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<sup>8</sup> <https://www.planningresource.co.uk/article/1867507/two-authorities-ask-pins-freeze-housing-land-supply-positions-year>



**Question 12: Do you agree that the NPPF should be amended to further support effective co-operation on cross boundary and strategic planning matters?**

Yes. Without the kind of ‘policy off’, binding requirement that a LPA would be obliged to accommodate, the planning system has to make provision for the unmet needs arising in any given LPA to be distributed and met elsewhere with the same housing market area.

The reintroduction of the Duty-to-Cooperate is a welcome step in the short-term, but it has proven to be an imperfect tool for alighting upon a requirement for and distribution of housing needs across multiple LPAs.

The ambition for universal strategic planning coverage by the end of this Parliament is a laudable one, but the challenge should not be under-estimated. There is reference to “supporting Mayors in overseeing the development and agreement of Spatial Development Strategies (SDSs) for their areas”, but the lack of enthusiasm from some Mayors for strategic planning hitherto has been striking. The Levelling Up & Regeneration Act makes provision for voluntary SDS, but if Mayors are not supportive and SDS are to be mandated there will be a need for further legislation. Even if a SDS can be prepared in areas with operational governance arrangements, like, for example, the West Midlands, the SDS in and of itself might not address the fundamental problem of meeting housing need across housing market area if those governance arrangements do not extend across the whole of the HMA.

The challenge of constructing strategic planning arrangements outside of mayoral areas is even greater. Counties and large unitary authorities provide an administrative starting point, but the governance arrangements where partnership working is required will not be easy to construct.

In both cases, with strategic planning not having been a part of the planning landscape for some time, the skills required to prepare and adopt plans at that scale may not be within the organisations created to prepare them.

The case for strategic planning has recently been articulated in research commissioned by the RTPI<sup>9</sup> and need not be repeated, but, and whilst the ambition of universal coverage is very much supported, it is crucial to HBF members that Government support and intervention be focused in the areas of greatest unmet housing need.

To that end, potentially the most meaningful intervention the Government could take to support effective cooperation on cross boundary and strategic planning matters is to go beyond the ‘priority groupings’ referred to in the consultation document and to explicitly identify, for plan-making purposes, the location of every housing market area across the country so that LPAs know who each has to work with and the sum total of housing need that they should be working together to deliver. The identification of such ‘Strategic Planning Areas’ could be prioritised depending upon the scale of housing need that is presently unmet.

This would be a platform for not only discussions about how that need can be met in each area by way of locally led SDS or other such arrangements into the medium and long term, but also how to examine individual local plans in the short-term given the harms that would accrue because of further delays to plan-making.

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<sup>9</sup> <https://www.rtpi.org.uk/research-rtpi/2024/august/strategic-planning-in-england/>



**Question 13: Should the tests of soundness be amended to better assess the soundness of strategic scale plans or proposals?**

It is not unreasonable for LPAs to have to demonstrate at least to a reasonable degree that every home provided for within a plan period will come forward. If, for example, supply towards the end of a plan period is to come from the early phases of a major urban extension or new settlement then the LPA should be able to demonstrate that those early phases in question are free from technical impediment.

**Question 14: Do you have any other suggestions relating to the proposals in this chapter?**

In relation to older person's housing, HBF endorses the view of the Retirement Housing Group (RHG) that the planning system can do more to reflect the aging population and that the NPPF should attribute the necessary weight and recognition to the urgency of the provision of older persons housing and the associated socio-economic benefits that would flow from that.

The number of people in the UK aged over 80 will rise from 3.3 million to 4.5 million in the coming decade, which will continue to disproportionately increase pressure on health and social care services for as long as the supply of specialist housing for older people lags these demographic changes. In 2015 there were 139 properties per thousand people aged 75 or over, but in 2021 this number had fallen by over a fifth to just 110 properties per thousand people, a trend which looks set to continue.

The RHG considers it vital that the planning system does more to encourage the provision of housing that is designed and maintained in a way that can enable people to stay in a home of their own where help and support services can be easily provided should it be needed.

A 2022 RHG report<sup>10</sup> proposes a series of changes to the planning system that would unlock the supply of this type of housing. HBF endorses the following key recommendations:

- LPAs should be required to include housing needs assessments for all forms of specialist housing for older people by type and tenure so that the sort of new housing being delivered serves the needs of that area.
- Local plans, in planning for needs in full, should seek to ensure that a minimum of 10% of all new housing is specialist housing for older people unless the LPA can demonstrate why this is not appropriate for their area; and
- The Government needs to address the extent to which the financial viability of housing for older people cannot be achieved because of additional financial obligations such as Community Infrastructure Levy, affordable housing and S106 Agreement (S106) commitments.

It should be an ambition of the planning system to bring significantly more development land to the market for the developers of all type and tenures of housing.

In relation to neighbourhood planning, HBF is struck that all the December 2023 changes to the NPPF in relation to the supply of housing have been reversed except that relating to neighbourhood plans and the application of the presumption in favour of sustainable development.

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<sup>10</sup> <https://retirementhousinggroup.com/how-better-use-of-the-planning-system-can-increase-provision-of-specialist-housing-for-older-people/>





HBF suggests that the wording contained within the July 2021 version of the NPPF, such that weight is afforded to the neighbourhood plan if it became part of the development plan two years or less before the date on which the decision is made is more consistent with wider Government ambitions for housing supply than the five year period introduced in December 2023 and proposed for retention in the current consultation.

**Question 15: Do you agree that Planning Practice Guidance should be amended to specify that the appropriate baseline for the standard method is housing stock rather than the latest household projections?**

Yes. Most people, be they planners, property professionals or the public, would likely support the principle of a plan-led system, which would mean that most planning permissions being proactively planned for through local plans rather than reactively planned for through the development management process. The 'presumption in favour of sustainable development' is an effective safety value to ensure that land comes forward when a LPA does not get a local plan in place, but local plans are the optimal way of planning for homes alongside, for example, jobs, nature recovery, infrastructure and so on at the same time.

This then poses the question as to how the aggregate total of homes being planned for in local plans can be increased from 230,000 to closer to 400,000.

Following the revocation of Regional Strategies in 2010 and the introduction of the NPPF in 2012, the responsibility for determining local housing needs and requirements fell upon LPAs. Guidance on how to do so subsequently emerged in 2014, but there was little consistency of approach; no link with any national target for increasing the number of homes; and significant time and resources were spent, before and during local plan examinations, debating the merits of different approaches.

This became such a significant factor in delays in local plan preparation that the 'Fixing Our Broken Housing Market'<sup>11</sup> White Paper of 2017 stated that:

*'But at the moment, some local authorities can duck potentially difficult decisions, because they are free to come up with their own methodology for calculating 'objectively assessed need'. So, we are going to consult on a new standard methodology for calculating 'objectively assessed need', and encourage councils to plan on this basis.'*

The introduction of the "standard method" for calculating local housing need in 2018 provided a clear starting point for consideration of need, but, over time, the current standard method has become unfit for purpose.

By projecting forward past trends, household projections have resulted in artificially low requirements, particularly where overcrowding and concealed households have suppressed household formation (which generally happens in the least affordable parts of the country).

Household projections have also proved volatile and subject to change every few years and so to guard against regular shifts and to provide a platform for LPAs to get local plans in place the previous Government opted to lock in 2014-based projections, rather than updating the formula to incorporate more recent updates, topping up the total with arbitrary 35% 'urban uplift' in London and the nineteen other largest towns and cities.

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<sup>11</sup> <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>



Of the 305,000 homes in the current standard method, just under a third are in London, which has a Plan with a target of only slightly more than half of that and no mechanism for redistributing what it cannot provide outside the M25. Further, there is little evidence that the 19 other cities that subject to the 'urban uplift' are realistically capable of delivering these elevated need figures<sup>12</sup>.

There are two options for effectively planning for closer to 400,000 new homes.

First, there is the option of reverting back to objective assessments of local need, perhaps in so doing addressing the issues for LPAs when undertaking Strategic Housing Market Assessments (SHMAs) that were identified by the Local Plans Expert Group<sup>13</sup> in 2016. This study identified that behind the time and resources was the absence of both pre-set housing market area boundaries and definitive guidance on how prepare a SHMA.

Given that local plan-making hit a decade long low in 2023<sup>14</sup>, any benefits of so doing would be vastly outweighed by the disruption that this would cause.

The second option is to put the standard method on a more robust, empirical footing as with the stock-based proposition being consulted, which aligns with the CMA's recommendations for housing targets to be based on an easy-to-understand methodology and reliable and up-to-date information.

As Lichfields has identified<sup>15</sup>, the advantages of this approach are that it:

- Remains relatively simple, using national and freely available statistics that are produced consistently for all local areas, are robust and updated regularly;
- Uses inputs that are stable over the medium-to-long-term;
- Avoids the circularity and volatility of household projections whereby low rates of housebuilding lead to low levels of household growth, which is then perpetuated by trend-based projection; and
- Ensures the SM genuinely 'boosts' housing supply, across all parts of the country, as per the original intention of the policy.

Within the headline national increase of 305,000 to 370,000, the proposed standard method would see boosts in every region. Forecast need would be in the order of 20–70% higher than recent rates of housing delivery across all regions except London, but an 80,000 homes per year target in London (down from 100,000) still represents a greater contribution to overall needs than London has provided over recent decades and is twice the capital's five-year net addition average (40,081).

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<sup>12</sup> [https://lichfields.uk/blog/2024/july/05/a-new-dawn-has-broken-has-it-not#\\_ftn11](https://lichfields.uk/blog/2024/july/05/a-new-dawn-has-broken-has-it-not#_ftn11)

<sup>13</sup> <https://www.gov.uk/government/publications/local-plans-expert-group-report-to-the-secretary-of-state>

<sup>14</sup> <https://www.planningresource.co.uk/article/1857278/local-plan-watch-plan-making-hit-rock-bottom-2023-fewest-plans-published-adopted-decade>

<sup>15</sup> <https://lichfields.uk/blog/2024/july/30/a-new-standard-method-stocking-up>





Taken together with the other proposed changes to the NPPF, notably the short-term boosts to supply accruing from the reversal of the December 2023 changes and the potential for 'Grey Belt' land to come forward ahead of local plan reviews, as well as the long-term benefits of a return to greater-than-local planning, it is possible to see how the revised standard method will unlock planning constraints in areas that have capped local plan targets hither to, and expedite further supply in less constrained areas where current targets are largely already met.

Putting aside for one moment the other not insignificant obstacles to building 370,000 homes, fundamentally the Government cannot expect to do so unless it is planning to do so. The proposed standard method, adopted emphatically as a floor and not a ceiling, is a welcome sign that the new Government might be planning to do so, which, given the transformative socio-economic benefits of boosting supply to that level (see Appendix 2), is very welcome.

**Question 16: Do you agree that using the workplace-based median house price to median earnings ratio, averaged over the most recent 3-year period for which data is available to adjust the standard method's baseline, is appropriate?**

Yes.

**Question 17: Do you agree that affordability is given an appropriate weighting within the proposed standard method?**

Yes.

**Question 18: Do you consider the standard method should factor in evidence on rental affordability? If so, do you have any suggestions for how this could be incorporated into the model?**

In simple terms it could be said that the case for using a standard method as the basis for plan-making is to trade some degree of understanding about a local housing market for greater speed and certainty. On that basis the more complex a standard method becomes the more unsatisfactory it becomes.

**Question 19: Do you have any additional comments on the proposed method for assessing housing needs?**

No.

**Question 20: Do you agree that we should make the proposed change set out in paragraph 124c, as a first step towards brownfield passports?**

The previous Government consulted on a presumption in favour of brownfield development, but only in the 20 largest towns and cities and only when the HDT was being failed. Explicit and unequivocal reference to development on brownfield land being acceptable in principle offers a more emphatic statement of support.

HBF welcomes government's discussion paper on brownfield passports which articulates a strong summary of the role that brownfield land can play in helping to boost housing delivery in our towns and cities which will be key to government meeting its own housing supply targets. Although theoretical measures are in place already to make applications for development of brownfield sites swifter, the reality is that such sites, often with additional complexities, will frequently take longer to navigate the planning process. A new regime to address this would be welcome.



Brownfield passports are as yet undefined, but Brownfield Land Registers and the Permission in Principle regime already exist. Whilst HBF welcomes any initiative that aims to bring forward more land for development more quickly, it is respectfully suggested that understanding and removing impediments to the use of existing tools for establishing the principle of development on brownfield land will be more efficient and effective than developing new ones.

**Question 21: Do you agree with the proposed change to paragraph 154g of the current NPPF to better support the development of PDL in the Green Belt?**

The proposed changes, which would increase the threshold when considering the redevelopment of previously developed land in the Green Belt from 'no greater impact on openness' to 'no substantial harm to openness' could conceivably increase the quantum of development that might be considered acceptable and, therefore, allow sites of marginal viability at present to become viable and be brought forward for development

**Question 22: Do you have any views on expanding the definition of PDL, while ensuring that the development and maintenance of glasshouses for horticultural production is maintained?**

The tone and spirit of this draft NPPF, in contrast to the previous version, is that land in sustainable locations should be brought forward for development. If the ambition to boost the supply of housing is to be realised then land in sustainable locations needs to be brought forward at a scale and pace significantly beyond the status quo.

The case of a glasshouse in a sustainable location is an interesting one to consider. At present, for the principle of development at such a site to be established it would need either an allocation in a local plan or for very special circumstances to be established by way of a planning application. The former can be time-consuming, and the latter can be very risky relative to the costs involved, neither of which is consistent with the ambition to bring forward sustainable sites at scale and pace.

In this context it seems entirely sensible, if Grey Belt is not, as previously suggested to be a separate and defined use class (see below), for the definition of PDL to be expanded.

If the horticultural enterprise in question was not a going concern, then, in this case, identification of the site as PDL would allow it to come forward for an appropriate alternative use.

If the horticultural enterprise in question was a going concern, then the provisions of the proposed Paragraph 152 would support the owners in securing an alternative site whilst allowing the site in question for new homes.

In the spirit of increasing the supply of land in potentially sustainable locations by supporting the principle of development, consideration might also be given to including agricultural or forestry buildings, land used for mineral extraction, and golf courses within the definition of PDL.

**Question 23: Do you agree with our proposed definition of grey belt land? If not, what changes would you recommend?**

Given the ambition of significantly boosting the supply of land in sustainable locations in terms of scale and pace the role of Grey Belt is arguably more important in decision-making than plan-making.



The process by which a LPA wishing to make Green Belt allocations is long-established and well-understood. If brownfield sites within the urban area have been exhausted, if densities have been optimised, and if agreement with neighbouring authorities about contributing to unmet need cannot be reached, then the exceptional circumstances required to amend a Green Belt boundary can exist. With that threshold reached a Green Belt Assessment would consider the strategic, functional role of the wider Green Belt and then the individual roles of specific parcels of land against the five tests of Green Belt, with a view to identifying those that make the weakest contribution and so may be the most suitable for release be they green or brownfield.

The issue has of been the time taken to get to this point. As a point of principle, the proposed NPPF unequivocally states that LPAs are to “meet an area’s identified housing need” rather than “meet as much of an area’s identified housing need as possible” and LPAs should undertake a Green Belt review where they are unable to meet housing, commercial or other needs without altering Green Belt boundaries. These positive statements of intent for the shorter-term, combined with the universal strategic planning coverage for the longer-term, should have the effect of shortening local plan timescales.

Where the Grey Belt proposition stands to add most value then is raising the prospect that sites that would and should be allocated in local plans, which will still take some time to be adopted, can come forward earlier than would otherwise be the case.

As stated, prior to General Election announcements about Grey Belt had asserted that it would be “a new class of land to ensure grey and poor-quality parts of the Green Belt are prioritised, and that any development benefits local communities”. It went on to state that “poor-quality and ugly areas of the Green Belt should be clearly prioritised over nature-rich, environmentally valuable land. At present, beyond the existing brownfield category the system doesn’t differentiate between them. This category will be distinct to brownfield with a wider definition.”

**Question 24: Are any additional measures needed to ensure that high performing Green Belt land is not degraded to meet grey belt criteria?**

On the basis that ‘high performing’ is defined relative to the five tests it would seem difficult for a landowner to be able to materially affect the character of a site such that over time a site became ‘low performing’ without needing planning permission for some form of development or being at risk of enforcement action.

Further, the BNG regime acts a disincentive to any landowner seeking to degrade the ecological value of a site over time.

**Question 25: Do you agree that additional guidance to assist in identifying land which makes a limited contribution of Green Belt purposes would be helpful? If so, is this best contained in the NPPF itself or in planning practice guidance?**

The characteristics presently proposed for an appendix to the NPPF might be more usefully contained within the main body of the document.

Of those proposed, ‘not strongly performing against any Green Belt purpose’ seems to be a very high bar to get over give that Green Belt is check unrestricted sprawl.

Noting the scrutiny that these characteristics will be afforded care should be taken to ensure that they are as legally robust as possible, and consideration might usefully be given to standardising the assessment process that is used to arrive at the contribution any given site makes to the Green Belt.



There are broadly two options that might be pursued to achieve this:

The first would be to define Grey Belt in explicit, objective terms and then to define the circumstances under which the development of Grey Belt sites would be supported (out with an allocation in a local plan).

Such a definition could take in, for example:

- Land that is or has been occupied by a permanent structure that is not captured by the current definition of PDL (so, for example, agricultural and forestry buildings were they not to be defined as PDL);
- Land on the edge of urban areas that is or has been used for recreation (e.g. golf courses), but that excludes playing fields; and
- Land that has been significantly influenced or defined by the urbanising effects of development, transport infrastructure or non-agricultural human activity (e.g. 'rounding off' a settlement inside a road or railway).

The second option, which is that proposed, is to define Grey Belt in more abstract, subjective terms as comprising land that makes a limited contribution to the five Green Belt purposes. It is noted that further characteristics of Grey Belt are to be set out in an appendix to the NPPF (none of which relate directly to proximity to an existing settlement boundary or proximity to public transport). It is further noted that rather than being "distinct to brownfield with a wider definition", the definition of Grey Belt is to include PDL.

In land supply terms, the benefit of the first option would be to offer clear, unequivocal support for the type of sites upon which the principle of development would be supported and the circumstances under which that would be the case. On the one hand, landowners and their development partners would be able to commit to the cost of a planning application with certainty and confidence, but, on the other hand, a strict definition would inevitably place an upper limit on the amount of such sites in any given area.

The benefits of the latter option are the opposite. On one hand, a broader definition increases the number of sites that could conceivably be supported in any given area and at any given time, but the more subjective definition increases the chances that a LPA may come to a different conclusion on the extent to which a site makes a limited contribution to the five purposes. This will inevitably reduce the certainty and confidence with which landowners and their development partners can commit to the cost of a planning application relative to onward promotion through the local plan process.

The balance perhaps lies somewhere between these options (see Question 25).

The Grey Belt proposition is welcome recognition that the homes the country needs cannot be built without developing land that is currently identified as Green Belt. This takes a realistic and mature approach to identifying the best possible sites to meet the country's extensive housing needs and is in stark contrast to the December 2023 version of the NPPF. It also recognises that sensible, sustainable sites must be allowed to come forward ahead of local plan reviews and the proposals being consulted upon represent a sensible step in this direction.

However, HBF questions the merit of including PDL within the definition of Grey Belt because infilling or the partial or complete redevelopment of PDL is already identified as not being inappropriate development in Green Belt and doing so introduces restrictions upon such sites coming forward that do not presently exist. This might not then be unreasonably considered a retrograde step in the context of significantly boosting the supply of land upon which to build homes.



**Question 26: Do you have any views on whether our proposed guidance sets out appropriate considerations for determining whether land makes a limited contribution to Green Belt purposes?**

Given the subjectivity of 'low performing' as a definition, and (if the proposition is to have a material impact on land coming forward), the greater reliance on Green Belt Assessments for development management purposes, consideration might reasonably be given to standardising the methodology to be adopted for such documents.

**Question 27: Do you have any views on the role that Local Nature Recovery Strategies could play in identifying areas of Green Belt which can be enhanced?**

Whilst some of the Footnote 7 designations recognise ecological value, some do not, and obviously ecological value is not a purpose of Green Belt. There would appear to be merit then, where a site is high performing Green Belt site or subject to another designation that is unsupportive to the principle of development, in using a LNRS to enhance its ecological value (and perhaps public access) by way of the NPPF's compensatory improvement provisions or the BNG credit market.

**Question 28: Do you agree that our proposals support the release of land in the right places, with previously developed and grey belt land identified first, while allowing local planning authorities to prioritise the most sustainable development locations?**

HBF supports the principle of a plan-led system that prioritises the development of PDL but acknowledges that the country's needs cannot be accommodated within existing urban boundaries. The presumption in favour of sustainable development serves as a 'safety valve' that allows land to come forward when local plans are not performing their primary role. The presumption has not, hitherto, applied in Green Belt areas and the Grey Belt proposition is perhaps further recognition that it ought to.

In specific regard to the sequential approach to Green Belt development, recognition of the role of safeguarded land in adopted local plans would be helpful.

**Question 29: Do you agree with our proposal to make clear that the release of land should not fundamentally undermine the function of the Green Belt across the area of the plan as a whole?**

Yes. As and until the role and purpose of Green Belt is fundamentally reviewed proposals should not undermine the function of the Green Belt, although this is best expressed as 'Green Belt as a whole' rather than 'Green Belt across the area of the plan as a whole' given that Green Belts often encompass more than one LPA.

**Question 30: Do you agree with our approach to allowing development on Green Belt land through decision making? If not, what changes would you recommend?**

Yes. Consideration should also be given to a further amendment (or perhaps clarification by way of Written Ministerial Statement) confirming that meeting housing need can in and of itself represent the very special circumstances necessary to support development in Green Belt. This might support, for example, LPAs keen to see the early delivery of homes that are allocated in emerging but delayed local plans and would be consistent with significantly boosting the supply of land upon which new homes can be built.



**Question 31: Do you have any comments on our proposals to allow the release of grey belt land to meet commercial and other development needs through plan-making and decision-making, including the triggers for release?**

HBF offers no specific view other than to highlight the impact how the absence of effective mechanisms for strategic planning and seemingly endless discussions about the role of housing targets have had a material impact on other areas of land use planning.

**Question 32: Do you have views on whether the approach to the release of Green Belt through plan and decision-making should apply to traveller sites, including the sequential test for land release and the definition of PDL?**

HBF offers no view.

**Question 33: Do you have views on how the assessment of need for traveller sites should be approached, in order to determine whether a local planning authority should undertake a Green Belt review?**

HBF offers no view.

**Question 34: Do you agree with our proposed approach to the affordable housing tenure mix?**

HBF is of the view that affordable housing requirements, both in terms of a quantum that is viable, and a tenure split that responds to local needs, are decisions best left to LPA and that policies should be responsive to changing circumstances while taking account of local market issues. It is self-evident, but the greater emphasis from the government on delivery of Social Rented housing will affect overall quantum of affordable supply due to viability practicalities. These are matters for policymakers, but the trade-offs ought to be understood and articulated from the outset.

**Question 35: Should the 50% target apply to all Green Belt areas (including previously developed land in the Green Belt), or should the Government or local planning authorities be able to set lower targets in low land value areas?**

It should go without saying that 50% affordable housing is more than is considered viable in almost all local plans. In St Albans, for example, which has some of the highest house prices outside London – the evidence-based requirement is 40%.

According to Lichfields (please see Appendix 3), in general terms, it is unlikely that 50% affordable housing will be viable in areas where values are below £4,000m<sup>2</sup>, and these represent 59% of the Green Belt, meaning that a national level of affordable housing will mean viability cases are necessary on any Green Belt development proposal coming forward. In the 41% of Green Belt where values are above £4,000m<sup>2</sup>, there may still be other infrastructure obligations which render 50% affordable housing unviable.

Landowners in these circumstances will not bring land forward because of the adverse impact on land value and 'subject to viability' caveat is unlikely to provide the level of confidence required for the promoters of land to invest hundreds of thousands of pounds on a planning application. It is beyond fanciful that the 180 LPAs with Green Belt across England or Homes England will – in the next five years – have either the resources or the inclination to invest in acquiring multiple sites at existing use value and then preparing and submitting multiple applications.





HBF is very firmly of the view that affordable housing policies pertaining to future development sites should continue to be tested by way of local plan examinations and that any Green Belt sites should be subject to the same affordable housing policy requirement as the existing/emerging local plan requirement that would apply on any greenfield site as there is no real-world difference between the sites that would impact on its viability.

Planning applications made based on the proposed Green Belt provisions on sites currently in the Green Belt and ahead of an allocation in a local plan might reasonably be expected to target affordable housing provision of 10% over and above the requirement pertaining locally at that time. That will contribute towards increasing affordable housing provision in the least affordable parts of the country without imposing a national target that would render development in many other parts of the country unviable.

Although likely a limited phenomenon, HBF's private home builder members have experienced significant difficulties in recent years discharging existing S106 obligations due to constraints on Registered Providers (RPs) and reduced appetite to acquire S106 homes. The new NPPF, rightly, has an emphasis on delivery of more affordable homes through S106, particularly those for social rent. HBF would welcome further engagement from ministers on the challenges experienced in the S106 market. In the medium-term we support measures to aid RPs in building their acquisition capacity and in the short-term we would welcome measures to unpick the problems that are slowing housing delivery in many cases and, for smaller house builders, leading to developers being unable to even begin construction.

**Question 36: Do you agree with the proposed approach to securing benefits for nature and public access to green space where Green Belt release occurs?**

LPA's can, should and do promote local plan policies that respond to local needs and local market conditions.

**Question 37: Do you agree that Government should set indicative benchmark land values for land released from or developed in the Green Belt, to inform local planning authority policy development?**

No. As Lichfields conclude in the analysis included at Appendix 3, it would appear imprudent to set a national BLV for Green Belt sites, especially at the lower end of the 10-40 times EUV range, given the multiplicity of different factors influencing this value across different locations. Setting a BLV nationally at a high level might mean it over-estimates the BLV in some places and see less value capture. The Harman Review made clear that BLV was influenced by local factors, and this reflects the current PPG on how LPA's should determine viability for their local plans, setting BLV locally in consultation with landowners, developers and other stakeholders.

**Question 38: How and at what level should Government set benchmark land values?**

No. It is suggested that the Government should not be setting benchmark land values and that current arrangements for assessing viability in the planning system, introduced in 2018/19, should be allowed to mature rather than impose major disruption upon the land market. For the reasons outlined in response to Question 37 above such an approach would have unintended negative consequences resulting in reduced land value capture in some areas.

**Question 39: To support the delivery of the golden rules, the Government is exploring a reduction in the scope of viability negotiation by setting out that such negotiation should not occur when land will transact above the benchmark land value. Do you have any views on this approach?**

As above.



**Question 40: It is proposed that where development is policy compliant, additional contributions for affordable housing should not be sought. Do you have any views on this approach?**

All planning applications should aspire to be policy-compliant, and LPAs can either refuse those that are not or approve those where non-policy compliant development would be more beneficial than not allowing the proposal in question.

**Question 41: Do you agree that where viability negotiations do occur, and contributions below the level set in policy are agreed, development should be subject to late-stage viability reviews, to assess whether further contributions are required? What support would local planning authorities require to use these effectively?**

Such arrangements are not uncommon and generally accepted by the development industry, but it should be borne in mind that the balance between risk and certainty when committing to an investment decision is often a fine one, especially for SME organisations, and that tipping the scale towards the former would serve to undermine the broader ambition of significantly boosting the supply of housing. It should also be borne in mind that any uplift arising from the viability review would need to be shared by both applicant and LPA.

**Question 42: Do you have a view on how golden rules might apply to non-residential development, including commercial development, travellers sites and types of development already considered 'not inappropriate' in the Green Belt?**

HBF offers no comment.

**Question 43: Do you have a view on whether the golden rules should apply only to 'new' Green Belt release, which occurs following these changes to the NPPF? Are there other transitional arrangements we should consider, including, for example, draft plans at the regulation 19 stage?**

Introducing a national policy requirement over and above a local policy requirement would have an impact on the contractual arrangements underpinning every planning application that has either already been submitted or is in the process of being submitted. This represents a major threat to ambitions to accelerate delivery.

HBF contends that any 'golden rule' should apply only to sites securing planning permission by way of the Grey Belt provision on the basis that these are sites that may not hitherto have come forward for development.

**Question 44: Do you have any comments on the proposed wording for the NPPF (Annex 4)?**

A national benchmark land value is not considered feasible.

**Question 45: Do you have any comments on the proposed approach set out in paragraphs 31 and 32?**

CPO should always be an option of last resort, and the challenges associated with its deployment should not be underestimated.



**Question 46: Do you have any other suggestions relating to the proposals in this chapter?**

Whilst there is plenty of scope to improve the current developer contribution system, it is important to recognise the benefits that current forms of land value capture are securing. Savills<sup>16</sup> estimate that around 50% of land value uplift is captured via developer contributions, once the costs of site remediation and enabling works are considered. This is before a landowner even pays tax on any subsequent land transaction.

**Question 47: Do you agree with setting the expectation that local planning authorities should consider the particular needs of those who require Social Rent when undertaking needs assessments and setting policies on affordable housing requirements?**

HBF supports the role of LPAs in meeting the housing needs of everybody living within their respective administrative boundaries.

**Question 48: Do you agree with removing the requirement to deliver 10% of housing on major sites as affordable home ownership?**

HBF supports affordable housing policies that reflect local needs and are responsive to changes in need and circumstances.

**Question 49: Do you agree with removing the minimum 25% First Homes requirement?**

HBF supports affordable housing policies that reflect local needs and are responsive to changes in need and circumstances.

**Question 50: Do you have any other comments on retaining the option to deliver First Homes, including through exception sites?**

HBF supports affordable housing policies that reflect local needs and are responsive to changes in need and circumstances.

**Question 51: Do you agree with introducing a policy to promote developments that have a mix of tenures and types?**

The promotion of policies that promote a mix of tenures and types is supported. The promotion of policies that support an explicit requirement of tenures and types is not supported.

**Question 52: What would be the most appropriate way to promote high percentage Social Rent/affordable housing developments?**

HBF supports affordable housing policies that reflect local needs and are responsive to changes in need and circumstances.

A survey of a very small subsection of HBF's membership in early 2024 suggests that tens of thousands of S106 affordable housing units with detailed planning consent do not have a contracted RP attached to them.

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<sup>16</sup> [https://www.savills.co.uk/research\\_articles/229130/267514-0](https://www.savills.co.uk/research_articles/229130/267514-0)



A third of these homes are due for completion during the remainder of 2024 or 2025. Savills<sup>17</sup> recently published a survey of developing Housing Associations that shines a light on the issues currently facing the delivery of affordable homes via S106, which include severely constrained financial capacity; rising build costs; remediation of existing stock to address existing and emerging regulations; and costs of finance.

A functioning S106 system is dependent on a healthy RP sector with capacity and inclination to acquire homes delivered through these cross-subsidies as well as developing their own schemes.

Opportunities to increase affordable housing provision would include long-term commitments on social housing rents; allowing grant funding to support S106 acquisitions; direct purchase of S106 properties by Homes England; and flexibility in both initial mix and tenure and cascade mechanisms within S106 to allow changes to address market requirements and viability challenges.

**Question 53: What safeguards would be required to ensure that there are not unintended consequences? For example, is there a maximum site size where development of this nature is appropriate?**

HBF offers no comment.

**Question 54: What measures should we consider to better support and increase rural affordable housing?**

Support for rural exception sites.

**Question 55: Do you agree with the changes proposed to paragraph 63 of the existing NPPF?**

HBF offers no comment.

Question 56: Do you agree with these changes?

HBF offers no comment.

**Question 57: Do you have views on whether the definition of 'affordable housing for rent' in the Framework glossary should be amended? If so, what changes would you recommend?**

HBF offers no comment.

**Question 58: Do you have views on why insufficient small sites are being allocated, and on ways in which the small site policy in the NPPF should be strengthened?**

The NPPF states that LPAs should identify land to accommodate at least 10% of their housing requirement on sites no larger than one hectare, but, by and large, this is accommodated in the windfall component of future supply and not on sites specifically allocated for residential development. The windfall component is usually predicated on historic rates of windfall development projected forward with reference to sites in SHLAAs that have been assessed as potentially developable. Such an assessment in a SHLAA is not a firm enough basis for a SME builder to invest in bring a site forward.

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<sup>17</sup> [https://www.savills.co.uk/research\\_articles/229130/364391-0](https://www.savills.co.uk/research_articles/229130/364391-0)



The NPPF should be strengthened to set out an expectation that LPAs be able demonstrate where specifically and explicitly the land is that will accommodate at least 10% of their housing requirement. These sites, no larger than one hectare, should be identified in such a way as to effectively establish the principle of development is established in the same way as any other local plan allocations.

Further, the fee arrangements for Permissions in Principle by way of brownfield registers should be reviewed so as not to act as a disincentive, as is the case presently, to LPAs working towards conferring such designations.

Access to land is regularly cited by SME builders as one of the most significant operational constraints and so it follows that these relatively modest change would make the most significant impact to boosting small site supply and increasing the health of the SME and sector.

It is important to note, however, that the term 'SME' covers a wide range of enterprises with a wide range of land requirements. As Savills<sup>18</sup> noted in April 2022, the most significant shortages of land in the market at that time were those with the capacity for 50 to 150 homes, which are most keenly sought by medium-sized, regional operators, but for which competition can come from larger, national operators were there is a paucity of larger sites in a local market.

HBF would support consideration of a larger 'small site' definition. A large proportion of HBF's longstanding small home builder members have an appetite for sites of between 10-25 homes.

**Question 59: Do you agree with the proposals to retain references to well-designed buildings and places, but remove references to 'beauty' and 'beautiful' and to amend paragraph 138 of the existing Framework?**

HBF is entirely supportive of a greater emphasis on place-making and good design through the planning process. HBF has not been supportive of a greater emphasis on beauty on the basis that it distracts from the momentum being established behind the design agenda, which was fostered by the 2018 NPPF and given expression by the National Model Design Code. This is raising the baseline of expectations; LPAs are producing design codes; and planning decisions are taking design into account to a greater degree<sup>19</sup>.

**Question 60: Do you agree with proposed changes to policy for upwards extensions?**

HBF offers no comment.

**Question 61: Do you have any other suggestions relating to the proposals in this chapter?**

No.

**Question 62: Do you agree with the changes proposed to paragraphs 86 b) and 87 of the existing NPPF?**

HBF offers no comment.

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<sup>18</sup>[https://www.savills.co.uk/research\\_articles/229130/327072-0](https://www.savills.co.uk/research_articles/229130/327072-0)

<sup>19</sup><https://www.housingtoday.co.uk/news/councils-more-able-to-refuse-schemes-on-design-grounds-under-new-nppf/5117245.article>



**Question 63: Are there other sectors you think need particular support via these changes? What are they and why?**

HBF offers no comment.

**Question 64: Would you support the prescription of data centres, gigafactories, and/or laboratories as types of business and commercial development which could be capable (on request) of being directed into the NSIP consenting regime?**

HBF offers no comment.

**Question 65: If the direction power is extended to these developments, should it be limited by scale, and what would be an appropriate scale if so?**

HBF offers no comment.

**Question 66: Do you have any other suggestions relating to the proposals in this chapter?**

HBF offers no comment.

**Question 67: Do you agree with the changes proposed to paragraph 100 of the existing NPPF?**

HBF offers no comment.

**Question 68: Do you agree with the changes proposed to paragraph 99 of the existing NPPF?**

HBF offers no comment.

**Question 69: Do you agree with the changes proposed to paragraphs 114 and 115 of the existing NPPF?**

HBF supports the underlying desire to adopt a more progressive approach to transport planning than 'predict and provide'.

HBF would suggest that 'in all tested scenarios' is an unnecessarily vague addition to former Paragraph 115.

**Question 70: How could national planning policy better support local authorities in (a) promoting healthy communities and (b) tackling childhood obesity?**

HBF offers no comment.

**Question 71: Do you have any other suggestions relating to the proposals in this chapter?**

HBF offers no comment.

**Question 72: Do you agree that large onshore wind projects should be reintegrated into the NSIP regime?**

HBF offers no comment.





**Question 73: Do you agree with the proposed changes to the NPPF to give greater support to renewable and low carbon energy?**

HBF offers no comment.

**Question 74: Some habitats, such as those containing peat soils, might be considered unsuitable for renewable energy development due to their role in carbon sequestration. Should there be additional protections for such habitats and/or compensatory mechanisms put in place?**

HBF offers no comment.

**Question 75: Do you agree that the threshold at which onshore wind projects are deemed to be Nationally Significant and therefore consented under the NSIP regime should be changed from 50 megawatts (MW) to 100MW?**

HBF offers no comment.

**Question 76: Do you agree that the threshold at which solar projects are deemed to be Nationally Significant and therefore consented under the NSIP regime should be changed from 50MW to 150MW?**

HBF offers no comment.

**Question 77: If you think that alternative thresholds should apply to onshore wind and/or solar, what would these be?**

HBF offers no comment.

**Question 78: In what specific, deliverable ways could national planning policy do more to address climate change mitigation and adaptation?**

An ever-growing issue for HBF members, especially SME members, is navigating local plan policies pertaining to energy efficiency and carbon neutrality.

A Written Ministerial Statement<sup>20</sup> published on 13 December 2023 stated that the Government does not expect plan-makers to set local energy efficiency standards for buildings that go beyond current or planned buildings regulations but does not prevent LPAs from setting higher standards in local plans. Instead, it states that planning policies that do go beyond current or planned building regulations should be rejected unless they have a well-reasoned and robustly costed rationale that ensures development remains viable and that any additional requirements are expressed as a percentage uplift of a dwelling's 'Target Emissions Rate' calculated using a SAP calculation ('Standard Assessment Procedure').

Instead, though many LPAs are pursuing requirements additional to building regulations with energy use targets relating to space heating demand and total energy consumption. Whilst laudable (and perhaps an expression of the frustration at the speed with which Government is pursuing the Future Homes Standard), this adds further to the layers of planning policy that applicants must navigate.

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<sup>20</sup> <https://questions-statements.parliament.uk/written-statements/detail/2023-12-13/hcws123>



HBF is firmly of the view that technical matters relating to the operation of a building are for the building regulations regime, but, where there must be a crossover into planning policy, National Development Management Policies would introduce a consistency of approach that would help the development industry assess and plan for build costs with much more certainty.

**Question 79: What is your view of the current state of technological readiness and availability of tools for accurate carbon accounting in plan-making and planning decisions, and what are the challenges to increasing its use?**

For over 20 years SAP calculations have been used to generate a new dwelling's Energy Performance Certificate, assessing carbon against the build's operational use.

Across the development sector, this assessment is becoming much broader, taking in the building's entire life cycle. There has been only limited research into progressing accurate, intelligent and meaningful tools to measure carbon across a building's whole life, but such tools do not yet formally exist for new homes.

A Whole Life Carbon measure would look at raw material extraction, fabrication and manufacturing, delivery, construction, its operational life and final demolition and recycling. To achieve this, for example, Environment Product Declarations would be required from product manufacturers who are not actually legally obliged to provide them.

It is understood that RICS and the Future Homes Hub are working on a Whole Life Carbon measure for new homes and that this might be available by the end of 2025. Measures of carbon and new homes through the planning system will remain highly subjective until that work is complete.

**Question 80: Are any changes needed to policy for managing flood risk to improve its effectiveness?**

The change to PPG in 2022 that introduced surface water (pluvial) to the Flood Risk Sequential Test (FRST), and the subsequent judgements in the Court of Appeal ("Substation"<sup>21</sup>) and High Court ("Redrow / Mead"<sup>22</sup>), has had a profound impact on the planning system.

The requirement to test alternative sites in sequence with the aim of steering development where possible toward lower areas of flood risk has been a feature of national planning policy

Previous iterations of PPG made clear that the sequential test was to direct development, so far as possible, out of Flood Zones 2 and 3. It was not concerned with surface water flood risk, which can be managed on-site through well-designed drainage schemes.

The revised PPG states that "the sequential test ensures that a sequential, risk-based approach is followed to steer new development to areas with the lowest risk of flooding, taking all sources of flood risk and climate change into account", which has introduced the requirement to undertake an extremely laborious FRST process on most development sites that is very much not commensurate with the risks of actual flooding.

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<sup>21</sup> <https://www.bailii.org/ew/cases/EWCA/Civ/2024/12.html>

<sup>22</sup> <https://caselaw.nationalarchives.gov.uk/ewhc/admin/2024/279>



The NPPF states that development “should not be allocated or permitted if there are reasonably available sites appropriate for the proposed development in areas with a lower risk of flooding, but in undertaking a FRST is extremely difficult to determine what kind of sites (bigger? smaller?) are reasonably available (now? in the future?) and within what distance from the application site.

HBF suggests that consideration be given to removing pluvial flooding from the FRST and reverting to deploying it for the purposes of directing development away from Flood Zones 2 and 3. Sub-optimally, but still of great benefit, would be to add to PPG on how to minimise the scope of the FRST and the standardisation of guidance on how to prepare them.

A further point of note in relation to flood risk is that, to maintain existing environmental protections, it is proposed to exclude land of environmental value, or assets of particular importance, as set out in footnote 7, from the definition of Grey Belt. Given that this includes ‘areas of risk of flooding’ and that risk of flooding includes pluvial flooding, many likely Grey Belt sites could seemingly be prevented from coming forward under the new provision.

**Question 81: Do you have any other comments on actions that can be taken through planning to address climate change?**

HBF offers no comment.

**Question 82: Do you agree with removal of this text from the footnote?**

Yes.

**Question 83: Are there other ways in which we can ensure that development supports and does not compromise food production?**

The wording of the question might imply to some, especially those already concerned that DEFRA’s objectives for farming, water and nature conservation might not align with the aims of MHCLG for housing supply, that the development industry is in some way responsible for assessing its impact on food production. This is a role for central and local Government and considerations for plan-making and not a matter for home builders to assess as part of a planning application (especially so for applications on sites that have been allocated by a local plan and are integral to the successful delivery of the relevant LPA’s housing objectives).

A relatively recent House of Lords Built Environment Committee report (The Impact of Environmental Regulations on Development, September 2023<sup>23</sup>) is instructive in this regard because the Committee identified critical tensions between the Government’s competing environmental and development objectives. In particular, the Committee identified a failure on the part of Government to provide an effective strategy to ensure that housing supply was not compromised because of actions by DEFRA and its agencies.

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<sup>23</sup> <https://publications.parliament.uk/pa/ld5803/ldselect/ldbuiltenv/254/25402.htm>



In its opening summary the Committee observed as follows.

*At the heart of this inquiry is the interaction between two government policies: a drive for development—particularly of housing—and the promotion of new infrastructure; and a commitment to protect habitats and halt the decline of species. We do not comment on the validity of these potentially competing policies. We take them as given. Our focus has been on whether they are achievable and how they interact with each other.*

*Both policies should be achievable in a mutually reinforcing way. In practice, our inquiry has found that this has been hampered and sometimes completely blocked by lack of co-ordination in policy-making and haphazard and unbalanced implementation. We heard evidence of unresponsiveness, time-consuming duplication, delay and overlapping responsibilities on the part of government departments and of Natural England and the Environment Agency. We heard of Integrated Plans which lacked a strategy for their implementation. We encountered a confusing and unclear policy landscape where government guidance has made the situation worse, not better.*

*This is resulting in a current failure to deliver either goal. We see no path to delivering the Government's ambitions by the intended deadlines unless there is a strong display of political leadership to deliver and implement a comprehensive strategy for both development and the environment.*

Among the Committee's recommendations are several that are relevant to the question of the extent to which housebuilders should be mindful of the requirements of farming. This includes the consequences of the need to remove land from food production to satisfy requirements of the Government for housebuilders to address nutrient neutrality, water neutrality and recreational impact. Among other things, the Built Environment Committee recommended:

*5. If the Government produces a land use framework it must ensure and demonstrate that all relevant government departments, including the Department for Environment, Food and Rural Affairs and the Department for Levelling Up, Housing and Communities are effectively involved in its production (Paragraph 49).*

*8. The Government should place the need to deliver housing on a statutory footing equal to that of environmental protection. This will help to ensure balanced decisions can be taken (Paragraph 60).*

*12. The Government should confirm if it was aware of the likelihood that productive farmland would be taken out of use because of the nutrient neutrality advice and if it adapted its food strategy in response (Paragraph 67).*

*13. The Department for Levelling Up, Housing and Communities and the Department for Environment, Food and Rural Affairs should issue joint advice on where and when, if at all, the practice of discontinuing farming owing to any impact mitigation requirements for housebuilding is applicable and acceptable (Paragraph 68).*

*18. The Government should develop integrated plans for addressing all areas of conflict between development and environmental policies before legal backstops are reached and development is halted. These must include implementation plans and be in line with the environmental principles policy statement (Paragraph 84).*

HBF endorses the recommendations of Built Environment Committee report that relate to avoiding conflict between the Government's aims for farming and home building.



**Question 84: Do you agree that we should improve the current water infrastructure provisions in the Planning Act 2008, and do you have specific suggestions for how best to do this?**

Paragraph 26 of the consultation states that the Planning Act 2008 could be amended to bring into the definition of NSIP:

- water infrastructure projects that are designed to be used intermittently but provide significant peak water supplies during droughts;
- the construction, maintenance or operation of water infrastructure by a third party on behalf of a water undertaker;
- water recycling, which will be an important option for securing water supplies and one that is commonly used around the world; and
- infrastructure which transfers treated drinking water.

It is vital to future housing supply that the Government ensures that water undertakers invest properly in water infrastructure to ensure that connections can be provided when these are needed by customers.

While HBF understands that these proposals should assist with the construction of the water infrastructure, it is unclear whether there is an expectation within this that housebuilders will be expected in the future, and as part of planning policy, to construct or make additional financial contributions to the provision of strategic water infrastructure.

The question posed in the consultation appears somewhat leading. If one supports the proposal, it has the potential to exonerate immediately those bodies that have a statutory duty to provide infrastructure, at their cost, albeit subsidised by housebuilders, under existing statute and legislation. This includes the statutory duties under s37 and s94 of the Water Industry Act 1991. Although it is not clear from the consultation document, HBF is concerned that there is an expectation that funding for some of these proposals, or other actions, would fall on the shoulders of home builders. Before seeking such a change, Government should first ensure that the requirements of existing legislation are upheld and that those bodies should be made to provide the infrastructure that is necessary and that this is better managed and regulated by the regulator.

HBF is concerned also that the Government might be blurring the current separation between planning and other regulatory regimes. This is a distinction that has existed, and by and large been upheld, until now. By making matters relating to the provision of water infrastructure a function of planning policy and potentially bringing the consideration of such matters into the ambit of the NPPF, it is possible that we could see plan-making and decision-taking for housing subject to major new additional delays.



Although the actions listed seem prudent, these are actions that apply to the NSIP regime, and that LPAs can consider as part of the plan-making process. These should not become policy requirements for housebuilders. By law, housebuilders already pay connection charges to water companies to help those providers meet the development needs of the plan-led system. In September 2023, HBF calculated that home builders had paid £1 billion in fees to water undertakers in the three years from 2020/21, and the figure since 1991 is likely to be in the region of several billion. Although these fees were introduced in 1991 to help water companies to invest adequately in the improvement or provision of new water infrastructure to support housebuilding this has not happened. It has become disturbingly apparent in recent years that this regime is breaking down, as housebuilders now face significant barriers to delivery such as Natural England's advice on nutrient and water neutrality, and the Environment Agency advice on water scarcity (especially in Cambridgeshire).

HBF considers that the fees that the industry pays to water companies, in addition to requirements under Part G of the Building Regulations, including even higher levels of water efficiency in areas of water stress, are adequate and should be used to deliver the actions listed in Paragraph 26 of the consultation document. HBF is concerned that if the Government, through changes to the NPPF, weakens this agreement and seeks to make housebuilders liable for the planning and provision of water services beyond this, it would create major uncertainty and introduce a significant barrier to home building in England. Home builders are not equipped to assume the duties of water undertakers.

Home building contributes significantly to the nation's GDP and contributes enormously each year towards other public goods delivered through conditions, S106 Agreements and other levies. Home building is not the cause of water stress or nutrient pollution any more than schools or hospitals are. Before shifting responsibility for the delivery of water services to home builders, the Government should ensure that its regulatory regime is working effectively. This includes mandating that OFWAT and the Environment Agency discharge their statutory responsibilities properly.

When it comes to water resilience, the Government should make water companies do more to reduce leaks. A 1% reduction in cumulative leaks can serve the water demand of over 90,000 dwellings in perpetuity.

**Question 85: Are there other areas of the water infrastructure provisions that could be improved? If so, can you explain what those are, including your proposed changes?**

HBF is concerned by the increasing number of water-related issues that are being cited by agencies of Government and LPAs to obstruct housebuilding. This includes the effect of water abstraction where this results in potential harm to a protected species (water neutrality, currently delaying 20,000 homes in Sussex), lack of water supply in places like Cambridgeshire and Oxfordshire (where the Environment Agency is objecting to all major schemes), the failure of water companies to provide effective wastewater treatment (nutrient neutrality, delaying the delivery of at least 100,000 homes until 2030 based on the Government's assessment) and lack of sewerage capacity being cited as a reason by LPAs not to allocate sites in certain areas (e.g. Chelmsford City Council).

First and foremost, the Government should ensure that the requirements of existing legislation are upheld and that those bodies required to provide the necessary infrastructure are better managed and regulated in this regard.





Second, as the Government's lead agency for water, the Environment Agency, should ensure that the Water Resource Management Plans produced by water companies support the requirements of the planning system. This means that, at the very least, these twenty-five-year plans should be based upon the dwelling requirements stipulated by the new Standard Method. Water companies use different methods for assessing future demand, sometimes only five-year periods and sometimes using household projections. Basing investment plans on the new Standard Method is necessary to provide a robust platform for water supply and sewerage treatment for the next quarter century.

Third, the PPG, supporting the interpretation of Paragraph 20 of the NPPF, should be amended to remind LPAs that issues relating to water supply and wastewater treatment are matters that the authority should consider when making its local plan. To do this it should have regard to the statutory Water Resources Management Plan that has been produced by the water company and approved by the Environment Agency, and ultimately by DEFRA too. This is the appropriate juncture at which to identify whether there is any issue relating to the adequacy of water supply and wastewater treatment to support the scale of development proposed by the local plan and in the locations identified. If no issues are identified, then the LPA must have regard to Paragraph 194 of the NPPF and not introduce restrictions later. It is worth repeating this paragraph in full, as this is an important principle that should be maintained:

*The focus of planning policies and decisions should be on whether proposed development is an acceptable use of land, rather than the control of processes or emissions (where these are subject to separate pollution control regimes). Planning decisions should assume that these regimes will operate effectively. Equally, where a planning decision has been made on a particular development, the planning issues should not be revisited through the permitting regimes operated by pollution control authorities.*

It is important that a distinction is maintained between land-use planning, especially those matters that are legitimate questions for development management (framed around policies preferably in an up-to-date local plan), and other activities that are governed by their own statutory regimes. If such a distinction is not maintained, then there is clearly a risk that land use planning will be used by other actors to try and address the failures of other industries and branches of government. The home building industry cannot realistically rectify a breakdown in the supply of water services. Whilst the situation could be eased somewhat by building to tighter levels of water efficiency, the potential for a break-down in the provision of water services is too great an issue for home builders to resolve and one that represents a growing threat to the Government's housing ambitions.

#### **Question 86: Do you have any other suggestions relating to the proposals in this chapter?**

In June 2019 Natural England issued advice to the first of what became 74 LPAs that prevented them from granting planning permission for new homes unless nutrient neutrality could be achieved.

This is despite evidence<sup>24</sup> that the occupancy of new homes makes a negligible contribution to nutrient levels in rivers.

HBF estimate that more than 160,000 new homes have since been blocked by this disproportionate moratorium on development.

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<sup>24</sup> <https://www.hbf.co.uk/news/nutrient-pollution-review/>



The need for a pragmatic solution remains an urgent one. Without such a solution, it is difficult to see how the Government's housing supply ambitions will be met.

**Question 87: Do you agree that we should we replace the existing intervention policy criteria with the revised criteria set out in this consultation?**

Yes.

Procedures aside, a general sense has been allowed to develop that threats of intervention by Government in local plan-making are hollow ones. Preventing a local plan from being withdrawn, as has been the case in most recent interventions, is one thing, but taking plan-making powers from a recalcitrant LPA is another. Circumstances under which the latter option is justified can be pointed to both in the recent past and indeed right now, but as and until the Government does act in this fashion the sense of intervention as a hollow threat will remain.

A more muscular approach to intervention is entwined with two issues raised by this consultation: the transitional arrangements and unmet need across a housing market area.

In terms of the transitional arrangements, the longer they are, especially for LPAs with a track-record of recalcitrance, the more unreasonable it would be for the Government to intervene (further perpetuating the hollowness of the threat).

In terms of unmet need, in circumstances where, for example, LPAs are unable to agree on a bilateral basis a share of unmet need to be distributed from one to another, intervention will achieve little unless the Government is willing to determine what share of that unmet need it is reasonable for a LPA to accommodate and that decision is likely to have implications for local plans elsewhere in the housing market area. This further makes the case for identification by Government of defined housing market areas as referred to in Question 12.

**Question 88: Alternatively, would you support us withdrawing the criteria and relying on the existing legal tests to underpin future use of intervention powers?**

N/A.

**Question 89: Do you agree with the proposal to increase householder application fees to meet cost recovery?**

Yes

**Question 90: If no, do you support increasing the fee by a smaller amount (at a level less than full cost recovery) and if so, what should the fee increase be? For example, a 50% increase to the householder fee would increase the application fee from £258 to £387.**

**If Yes, please explain in the text box what you consider an appropriate fee increase would be.**

One option for getting closer to full cost recovery could be a fee levied as a proportion of the overall project cost.



**Question 91: If we proceed to increase householder fees to meet cost recovery, we have estimated that to meet cost-recovery, the householder application fee should be increased to £528. Do you agree with this estimate?**

- Yes
- No – it should be higher than £528
- No – it should be lower than £528
- No - there should be no fee increase
- Don't know

**If No, please explain in the text box below and provide evidence to demonstrate what you consider the correct fee should be.**

Please see above.

**Question 92: Are there any applications for which the current fee is inadequate? Please explain your reasons and provide evidence on what you consider the correct fee should be.**

It is noted that there are a wide range of planning applications (Tree Preservation Orders, Conservation Area Consent, Certificates of Lawful Use, advertising consents, Section 73 applications, Section 96a applications and prior approval and prior notification applications for permitted development) that command very low fees or in some cases no fee at all. These can be very complex and command the same amount of time of time and expertise to process as a more typical application. The wide range of fees and exemptions that exist is difficult for all parties to navigate and it is respectfully suggested that consideration be given over the longer term to a fundamental rationalisation and simplification.

**Question 93: Are there any application types for which fees are not currently charged but which should require a fee? Please explain your reasons and provide evidence on what you consider the correct fee should be.**

If research does not yet exist on how long it takes to transact different types of applications relative to the and the costs and complexity of doing so then HBF submits that that could be useful exercise to contemplate.

**Question 94: Do you consider that each local planning authority should be able to set its own (non-profit making) planning application fee?**

**Please give your reasons in the text box below.**

No. Please see Question 97.



**Question 95: What would be your preferred model for localisation of planning fees?**

- **Full Localisation – Placing a mandatory duty on all local planning authorities to set their own fee.**
- **Local Variation – Maintain a nationally-set default fee and giving local planning authorities the option to set all or some fees locally.**
- **Neither**
- **Don't Know**

**Please give your reasons in the text box below.**

Please see Question 97.

**Question 96: Do you consider that planning fees should be increased, beyond cost recovery, for planning applications services, to fund wider planning services?**

**If yes, please explain what you consider an appropriate increase would be and whether this should apply to all applications or, for example, just applications for major development?**

Being essentially reactive in nature, development management can reasonably be described as a service and so it seems legitimate for the costs of that service to be self-sustaining, which is the case for full cost recovery.

Planning policy, regeneration activity and plan-making are not services in the same sense, but, especially when deployed proactively, can have a profound impact on the economic vitality of place. It seems legitimate then for these activities to be funded from the tax revenue that new development generates.

**Question 97: What wider planning services, if any, other than planning applications (development management) services, do you consider could be paid for by planning fees?**

There is clearly a need for more resource with LPAs, but there is way of doing so that maintains a standard nationwide approach and addresses two fundamental deficiencies with the current approach: that the application process is only one part of the planning process and that the application process is contingent on the involvement of other actors.

The Planning Advisory Service<sup>25</sup> has published research on pre-application (pre-app) consultation and Planning Performance Agreements (PPAs) that alighted upon a shared consensus on the purposes of pre-apps, which are to smoothen the application process by frontloading the work and promoting the early identification of constraints; building relationships; and, for LPAs, to raise revenue.

A clear inconsistency of approach was identified, however, between LPAs and even between individuals within the same LPA. Some LPAs offer a more informal service which tends to include a brief email exchange, others provide a more formal service that can include a written response or a structured meeting. Some LPAs offer only an online service and some provide a form that has to be emailed or posted.

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<sup>25</sup> <https://www.local.gov.uk/pas/development-mgmt/pre-application-advice-and-planning-performance-agreements-ppas>



Respondents expressed the need for the service to be ‘user-friendly’ and for all information to be accessed in a singular place. There is also a lack of consistency around the cost of pre-apps. Some LPAs categorise the pre-app offer by scale of development, others by floorspace and in some cases fees are determined by the seniority of the officer involved.

The research also identified a range of approaches when it came to the involvement of consultees, which are critical to the processing of all planning applications. In nearly all cases national consultees such as the Environment Agency, Natural England, National Highways and Historic England do not engage in pre-app services with the LPA. It is understood that some consultees offer a formal, paid-for, pre-app service themselves, but HBF contend that it would be preferable for a LPA to be managing this process.

There is further inconsistency around when and how to involve councillors and the general public in a pre-app service.

Finally, the research noted a lack of monitoring and review, with almost all organisations stating that the pre-app process was not monitored.

In relation to PPAs, the research again revealed a shared consensus as to their role as a project management tool for larger and more complex projects, with the specific aims of reducing timescales; securing dedicated officer time; building relationships; achieving better outcomes; and, again, to raise revenue. Many contributors to the research highlighted that often the main motivation for LPAs to engage in PPAs is for additional income, which can bridle with applicants when the service does not, as is often the case, meet expectations.

There was a general consensus that the PPA service is and should be bespoke to the specific project, but many contributors opined that there needs to be a degree of standardisation so as to encourage a consistency of approach.

As with pre-app fees there is a lack of consistency and transparency across LPAs, although some LPAs do share PPA fees online. The report notes the need for PPA fees to be calculated transparently so as to add rigour to the process and to avoid accusations that costs, as the report notes, are “plucked out of thin air”.

Again, many users of the system expressed frustration that statutory consultees are not involved and that almost no LPA formally monitors the PPA process.

The key overarching barrier to the use of both pre-apps and PPAs was, unsurprisingly, the resources available to LPAs (and HBF is aware that some LPAs will not entertain a PPA, regardless of the size of the fee, because of the lack of officers available to service it), but it was highlighted too that the perception of the pre-app process is poor. Agents advised that clients are happy to pay for a pre-app service if it added value, but the research found that some felt the process was not always “worth it” and that it was quicker and more cost-effective to utilise the “free-go” application once an initial application had highlighted issues of substance.

HBF members frequently highlight that pre-app discussions often do not provide a substantive, definitive view from the LPA (where consultees, for example, might offer conflicting advice) and where definitive advice is offered it can change if, for example, a different case officer takes on an application once submitted.

Fundamentally, the determination of a planning application is only the middle third of a process that also includes the need to substantive and meaningful pre-app engagement and, post-decision (and often the signing of a S106 Agreement), the discharge of planning conditions so that work can commence on site.



It is in this area, rather than the localisation of fees, that the most meaningful progress on application timeframes can be made.

**Question 98: Do you consider that cost recovery for relevant services provided by local authorities in relation to applications for development consent orders under the Planning Act 2008, payable by applicants, should be introduced?**

Yes.

Question 99: If yes, please explain any particular issues that the Government may want to consider, in particular which local planning authorities should be able to recover costs and the relevant services which they should be able to recover costs for, and whether host authorities should be able to waive fees where planning performance agreements are made.

**Question 100: What limitations, if any, should be set in regulations or through guidance in relation to local authorities' ability to recover costs?**

HBF offers no comment.

**Question 101: Please provide any further information on the impacts of full or partial cost recovery are likely to be for local planning authorities and applicants. We would particularly welcome evidence of the costs associated with work undertaken by local authorities in relation to applications for development consent.**

HBF offers no comment.

**Question 102: Do you have any other suggestions relating to the proposals in this chapter?**

No.

**Question 103: Do you agree with the proposed transitional arrangements? Are there any alternatives you think we should consider?**

It has been suggested that PINS is expecting up to 120 local plans to be submitted in the near future<sup>26</sup>, which suggests a large proportion will either be at Regulation 19 already or be submitted within a month of the NPPF being adopted before the end of the year (as is proposed). The proposed transitional arrangements could then mean that a good number of local plans are adopted with housing requirements materially below the new standard method and without the ability to address unmet need.

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<sup>26</sup> <https://localgovernmentlawyer.co.uk/planning/318-planning-features/58228-plan-making-or-the-olympic-sport-of-trying-to-hit-a-slowly-moving-target>





Although early reviews would be required in some of these cases (reinforcing the need to reform the 'self-certifying' local plan review process, it is unclear at what pace these early reviews would occur (with particular concern about the prospect of strategic plans inviting delays) and in any event it will take a number of years for new local plans to emerge. With lower numbers 'baked in' to a suite of adopted plans (including in areas of overspill growth who might be expected to take unmet need, such as Mid Sussex, Horsham, Winchester) a large proportion of LPAs will not be immediately focused on delivering the new standard method figure, which undermines the prospect of planning for 370,000 homes in anything but the long term.

As drafted, Paragraphs 226c and 227 mean that, for LPAs where the annual requirement is more than 200 dwellings per annum (dpa) above the proposed standard method, expediting submission would allow the examination to proceed under the previous version of the NPPF and current standard method.

For local plans at Examination now or where a plan is submitted within a month of the NPPF being published, which do proceed to adoption (and with an annual requirement of more than 200 dpa below the Local Housing Need (LHN)), Paragraph 227 of the draft NPPF states that the authority will be expected to commence plan-making 'at the earliest opportunity' without clarifying what 'at the earliest opportunity' means.

Local plans that have reached Regulation 19, but have not yet been submitted for examination one month after the revised framework is published, and with a gap of no more than 200 dpa between the LPA's revised LHN figure and its proposed housing requirement, are to be allowed to progress to examination. Whilst in some cases the gap may be small in other cases it might be 199, and the cumulative total between those two figures will be significant, especially considering when the policies in those local plans would be out of date for the purposes of Paragraph 11(d) of the revised NPPF.

Some may argue that 'a Plan is better than no Plan', but this is inconsistent with the stated ambitions for housing delivery during this Parliament because, as drafted, the NPPF would state that, until it is five years old, an adopted local plan will not be out of date on the basis of applying the proposed new standard method for assessing local housing need, but rather on the basis of whether it can demonstrate a five year supply of deliverable housing sites (calculated by reference to the housing requirement set out in strategic policies in the plan), with the appropriate buffer set out in Paragraph 76 and has delivered at least 75% of its housing requirement over the last three years. Once the plan is five years old, the tilted balance will apply if there is not at least a 5YHLS as against their new standard method local housing need figure (and delivery of 75% of its housing requirement over the last three years).

Lichfields has undertaken a review of the implications of the proposed transitional arrangements, which is included as Appendix 1 to this submission. Whilst a few LPAs would immediately take on the new standard method figures for decision making (through out-of-date plans and a lack of 5YHLS), a notable proportion would continue to operate under lower housing need figures. This would include the circa 30% of LPAs with a local plan adopted within the past five years alongside around 50 LPAs that could expect to benefit from the proposed transitional arrangements. The new standard method and its 370,000 annual target, Lichfields conclude, would remain an elusive prospect, particularly over the first five years of the new NPPF where both local plan requirements and forecast housing delivery fall short of the national annual target by 370,000 and 730,000 respectively over the five year period to 2029.

Lichfields further conclude that, given the inherent lag between the adoption of a local plan housing target, preparation, submission and determination of a planning application, discharge of all relevant conditions and reserved matters and construction, it is to be expected that the delivery of new housing over years 1-5 of this Parliament is forecast to fall short of housing need identified through the standard method, providing just over 1,130,000 new homes between 2025 and 2029.



The proposed arrangements are inconsistent, therefore, with the broader ambition, although a different threshold to the 200 dwelling per annum that is proposed would result in a different outcome. An alternative would be to do away with transitional arrangements all together and invite all local plans not yet submitted for examination to meet the new LHN in full and, irrespective of when an existing or emerging local plan was adopted, immediately base 5YHLS on the new standard method figure until a new NPPF-compliant local plan was in place. Whilst this could get closer to the stated ambition in the medium to long-term, it could in the short-term lead to housing allocations – including in areas of Green Belt and areas without a local plan for some time– falling away.

A middle ground could be a hybrid transitional arrangement during which emerging local plans be allowed to proceed as submitted in order that emerging housing allocations and policies are given the chance to proceed, but, for example, any existing or emerging strategic plan examined before the new NPPF would not set the housing requirement for 5YHLS purposes unless it was higher than the new LHN figure, or the new LHN figure be used for 5YHLS in that LPA earlier than when the local plan becomes out of date after five years.

**Question 104: Do you agree with the proposed transitional arrangements?**

No. Please see above.

**Question 105: Do you have any other suggestions relating to the proposals in this chapter?**

No

**Question 106: Do you have any views on the impacts of the above proposals for you, or the group or business you represent and on anyone with a relevant protected characteristic? If so, please explain who, which groups, including those with protected characteristics, or which businesses may be impacted and how. Is there anything that could be done to mitigate any impact identified?**

HBF offers no comment.



**Appendix A - Making the transition: a trajectory for planning and delivery of housing under the proposed NPPF**



## Briefing Note

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**Our ref** 68813/02/MS/JS  
**Date** 23 September 2024

### **Subject Making the transition: a trajectory for planning and delivery of housing under the proposed NPPF**

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#### **1.0 Introduction**

- 1.1 The Government was elected on a manifesto ambition to deliver 1.5m homes in England in the parliament, equivalent to 300,000 homes a year for five years, a rate significantly greater than has been achieved in recent decades. But it begins this task from an inauspicious starting point, with current local plan requirements aggregating to just 230,000, the HDT benchmarks at 259,000 and recent permissions running at just 233,000 per annum (equivalent to build out at circa 175,000 once one accounts for lapse rates)<sup>1</sup>. The OBR March 2024 economic and fiscal outlook<sup>2</sup> forecast net completions falling to 188,000 in 2026 before rising to 220,000 in 2029, and delivering just 1,014,000 over the five year period, almost half a million short of the Government's ambition. Some are more pessimistic than that about short term delivery.
- 1.2 Housing supply is not simply a function of the planning system, but there is a very strong correlation between what the planning system seeks to achieve by way of local planning targets and what is built. This is because LPAs will tend to ration the flow of permissions for housing to a level consistent with what is necessary to maintain a five-year land supply against their local requirement (witness Wiltshire Council's decision in April 2024 to reverse its previous decision to approve schemes when its land supply requirement dropped from five to four years, under the terms of para 226 of the December 2023 NPPF).
- 1.3 LPAs might resist proposals for housing in their area (often successfully) if they are not deemed necessary in order for an area to meet its local target, because the benefits of extra housing supply might be perceived as less and thus outweighed by harms, when it comes to applying the 'tilted balance'. For a number of other, more land-constrained areas, delivery is in effect restricted to the capacity of that area – even when the target is set at a higher level, with London being a good example. This is why a national target, say of 300,000 homes a year, will not be met if this does not translate to deliverable local targets.
- 1.4 The draft NPPF and proposed changes to the Standard Method for local housing need – both out for consultation – seek to boost housing delivery by, inter alia:
- 1 Changing the formula for local housing so that in aggregate, areas need to plan with the aim of achieving 370,000 homes a year, nationally;

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<sup>1</sup> See analysis in this blog [here](#)

<sup>2</sup> The OBR Economic and Fiscal Outlook is [here](#)

- 2 Requiring LPAs to maintain a five year land supply, without which the presumption in favour of sustainable development applies;
- 3 Changing Green Belt policy so that:
  - a areas must review Green Belt in their Local Plans and, where justified, release land in order to meet housing need; and also
  - b 'provide opportunities for so-called 'Grey Belt' land to be developed ahead of a local plan by way of planning application;
- 4 Strengthening the strategic planning approach such that one might expect a greater amount of unmet need from constrained areas to be provided for in neighbouring areas; and
- 5 Requiring that proposals for housing on previously developed land should be regarded as acceptable in principle.

1.5 In general terms, these measures place strong upward pressure on the planning system's approach to supporting the delivery of new homes. However, the question is whether they go far enough in light of:

- 1 The inevitable lag period in which any planning decisions in support of new homes (in the form of allocations or permissions) would be unlikely to achieve real world housing completions for a period of at least 2-3 years<sup>3</sup>, meaning that in the short term, delivery is largely a function of the inherited planning pipeline and economic conditions; and
- 2 The Government's proposals for transitional arrangements on local plans in which:
  - a areas with adopted Local Plans at the time of the adoption of the NPPF would continue to apply their pre-NPPF housing requirements for five year land supply purposes for five years from the date the plan was adopted; and
  - b areas that submit a Local Plan for examination within a month of the publication of the NPPF will see whatever housing target emerges in that plan once adopted as the basis for its housing trajectory and five year land supply for up to five years, depending on when a replacement plan is adopted, with the pace of the new plan partly dependent on whether or not the emerging plan is within 200 homes of the proposed new Standard Method.

1.6 A number of LPAs stand to have existing/emerging Local Plans fall within the proposed terms of the transitional arrangements, and this means that their local housing requirement will be lower than it might otherwise have been had they prepared their plan under the terms of the proposed new NPPF<sup>4</sup>. Although those falling more than 200 homes below the proposed Standard Method would be expected to prepare a plan under the new plan making system at the earliest opportunity, this is unlikely to begin at least until 2026 and will not lead to adoption of that plan before 2029, even based on a 30+4 month timescale.

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<sup>3</sup> See the benchmarks in [Start to Finish](#)

<sup>4</sup> See the examples as reported in Planning Resource [here](#) and [here](#) (£)

- 1.7 What does the combination of the above mean in terms of the practical local plan targets that will likely apply for five-year land supply purposes over the next ten years and what might this in turn mean for net housing additions over that period?
- 1.8 To explore this, in work prepared pursuant to an instruction from the Home Builders Federation (HBF) and the Land, Planning and Development Federation (LPDF), we have generated a model to explore the potential trajectory of planned housing targets (in terms of the annual rate that would apply for five year land supply purposes), and housing delivery associated with that. We explain the broad approach before presenting the results, followed by some recommendations.

## **2.0 Approach**

- 2.1 As with any modelled approach, it is necessarily a function of the assumptions applied about what might happen in the future and thus it illustrates a concept rather than representing a precise forecast. The implications would depend on what individual LPAs might do and precise duty to cooperate and other discussions. We have adopted a proportionate but consistent approach at a national level, applied to every England LPA area based on its context, local plan status, past housing delivery, and standard method housing number. The approach is as follows:
- 1 We have categorised every LPA as being either
    - a **‘Constrained’** where housing delivery is largely a function of the capacity of the area, based on past rates of net housing completions, but with an increase of 13% based on the impact of the proposed change to para 122 (c) on publication of the new NPPF and a further increase of 13% on adoption of a new Local Plan. This uplift is based on the analysis in the January 2024 London Plan Review of the impact of the 2012 NPPF presumption in favour of sustainable development. In general terms, our assessment assumes a constrained LPA has a ‘cap’ on its realistic ability to meet the new standard method in the current operating environment and thus will be a generator of ‘unmet’ need.
    - b **‘Receiver’** authorities where in principle they have the ability to meet their Standard Method housing need and accommodate unmet need from ‘constrained’ LPAs.
  - 2 All LPAs have been grouped into sub-regions that are a best fit for existing or possible future sub-regional strategic planning areas.
  - 3 We have identified the Local Plan housing requirement for each LPA where this is from a Strategic Policy in a Local Plan adopted within the past five years. We have assumed this number applies for five year land supply purposes until it is five years old, whereupon the proposed new Standard Method figure applies<sup>5</sup>.
  - 4 We have identified the LPAs that have, or are identified as being likely to, submit a Local Plan for Examination before January 2025 (based on the assumption that the

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<sup>5</sup> We have not modelled the individual backlog position on 5YHLS based on adopted Local Plans and assume the annual requirement applies for each year.



NPPF is adopted December 2024) and are thus likely to benefit from the transitional arrangements. We have assumed that Local Plans are found sound and adopted with the same housing requirement as when the plan was submitted, although clearly this might change depending on the process of the Examination.

- 5 We have identified when a new Local Plan would be put in place for every 'receiver' area and then applied a housing target for that plan that:
  - a Meets its own Local Housing Need (based on the new standard method);
  - b Makes a contribution to meeting unmet need from 'constrained' LPAs within its sub-regional strategic planning area. We have taken assumed that 'receiver' LPAs would meet a proportion of the unmet need for the sub-regional strategic planning area equivalent to their contribution to the overall Standard Method housing need for the area. By way of an example, Shropshire's Standard Method housing need of 2,059 makes up 20% of the total target for the Western Midlands (Stoke, Stafford, Shropshire & Worcestershire) sub-regional strategic planning area. Therefore, Shropshire is allocated a further 20% of the 750 dpa unmet need for Western Midlands (equivalent to 154 dpa), giving a total housing target of 2,213 dpa. In most strategic planning areas, unmet need is mopped up, but some areas (with fewer 'receivers') fall short.
- 6 For assessing actual forecast housing delivery, we have:
  - a Assumed that the OBR March 2024 Economic and Fiscal Outlook assumption applies for the period 2024-2027 on the basis that what is to be built in those areas will largely be a function of what already has/or will shortly receive a permission and the underlying economic circumstances that apply. Some might say this forecast is itself optimistic so it therefore in our view captures the possible benefits of short term Government measures, for example on funding, social housing, or tackling problems like water or nutrient neutrality.
  - b For the period from 2028 onwards, we link the delivery of homes by i) for 'constrained' LPAs, to their past rate of delivery plus the 13% uplift to account for para 122 (c) and a further increase of 13% on adoption of a new Local Plan that we assume brings forward additional sites/capacity; and ii) for 'receiver' LPAs, to their planned housing target from the period three years prior, with an assumption that delivery runs at an average of 92% of the target, based on how current delivery relates to the Housing Delivery Test benchmarks.
- 7 We then look at what this means for total planned targets and for housing delivery for the first five-year period of the new NPPF (assuming adoption from December 2024) and for the second five year period (years 6-10). We then identify the difference between the planned target based on with the transition period and without it.

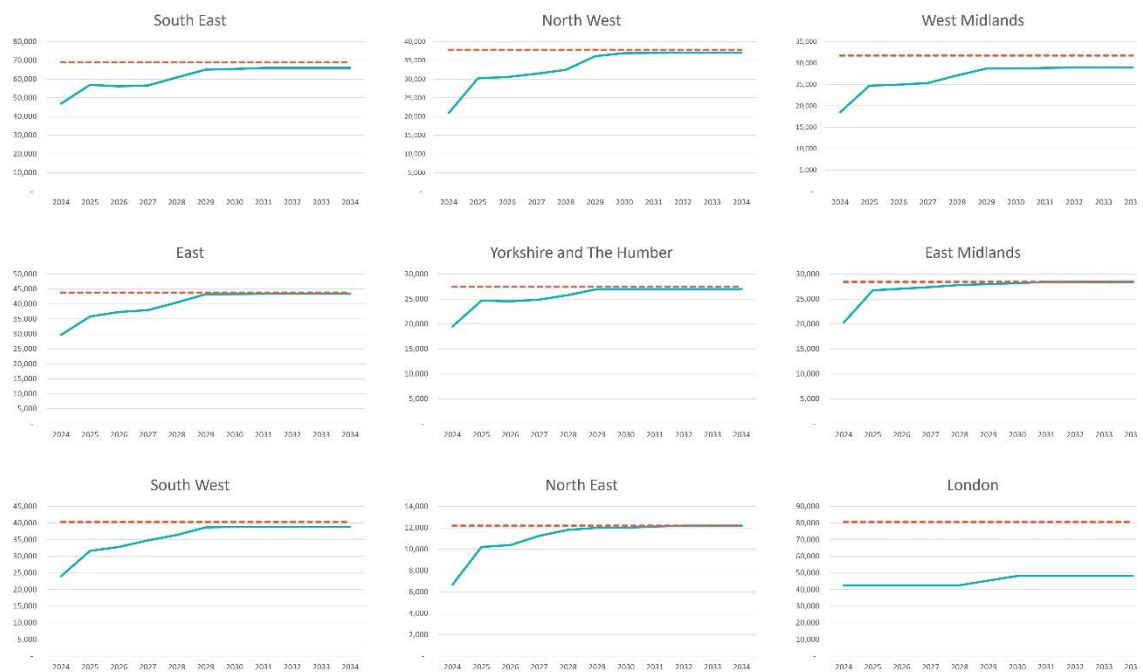
### **3.0 Analysis**

- 3.1 The individual regional trajectories for progress towards the new Standard Method for local housing need by region are illustrated in Figure 1. In Figure 2, the totals are presented

across the first five years of the new NPPF, alongside Local Plan housing targets and a forecast of housing delivery.

3.2 Whilst a number of LPAs would immediately take on the new Standard Method figures for decision taking (through out-of-date plans and a lack of five-year housing land supply), a notable proportion would continue to operate under lower housing need figures. This would include the circa 30% of LPAs with a Local Plan adopted within the past five years alongside around 50 LPAs that could expect to benefit from the transitional arrangements set out at Annex 1 of the draft NPPF. The new standard method and its 370,000 annual target therefore remains an elusive prospect, particularly over the first five years of the new NPPF where both Local Plan requirements and forecast housing delivery cumulatively fall short of the national annual target by 370,000 and 730,000, respectively over the five year period to 2029.

Figure 1 Regional Housing Target Trajectories



Source: Lichfields analysis

3.3 This is particularly stark in London, which history shows as being constrained and persistently delivering around 30-40,000 homes a year, and for various reasons (such as those identified in the London Plan Review<sup>6</sup>) is likely to continue under-shooting its housing delivery for the foreseeable future, resulting in a cumulative Local Plan target of just over 200,000 over the first five years, around half of the 400,000 target under the Standard Method. By contrast, in the context of the applied methodology, the North East does not have any constrained LPAs, and Yorkshire has just two. As a consequence, these regions are considered to have a far greater immediate capacity to meet the new standard

<sup>6</sup> The London Plan Review is available [here](#)

method, albeit this will not be achieved immediately as up-to-date Local Plans and transitional arrangements lock-in 'old-style' housing need figures.

- 3.4 Given the inherent lag between the adoption of a Local Plan housing target, preparation, submission and determination of a planning application, discharge of all relevant conditions and reserved matters and construction, it is to be expected that the delivery of new housing over years 1-5 is then forecast to fall short of housing need identified through the Standard Method, providing just over 1,130,000 new homes between 2025 and 2029.
- 3.5 This equates to 60% of the standard method and averages out at 226,000 dwellings per annum. This is moderately above the 'business as usual' scenario we identify from the OBR's March 2024 forecast (albeit to a different build-out profile) and flows from the uplift taking effect in the final two years of the period.

Figure 2 Housing shortfall (2025-2029)

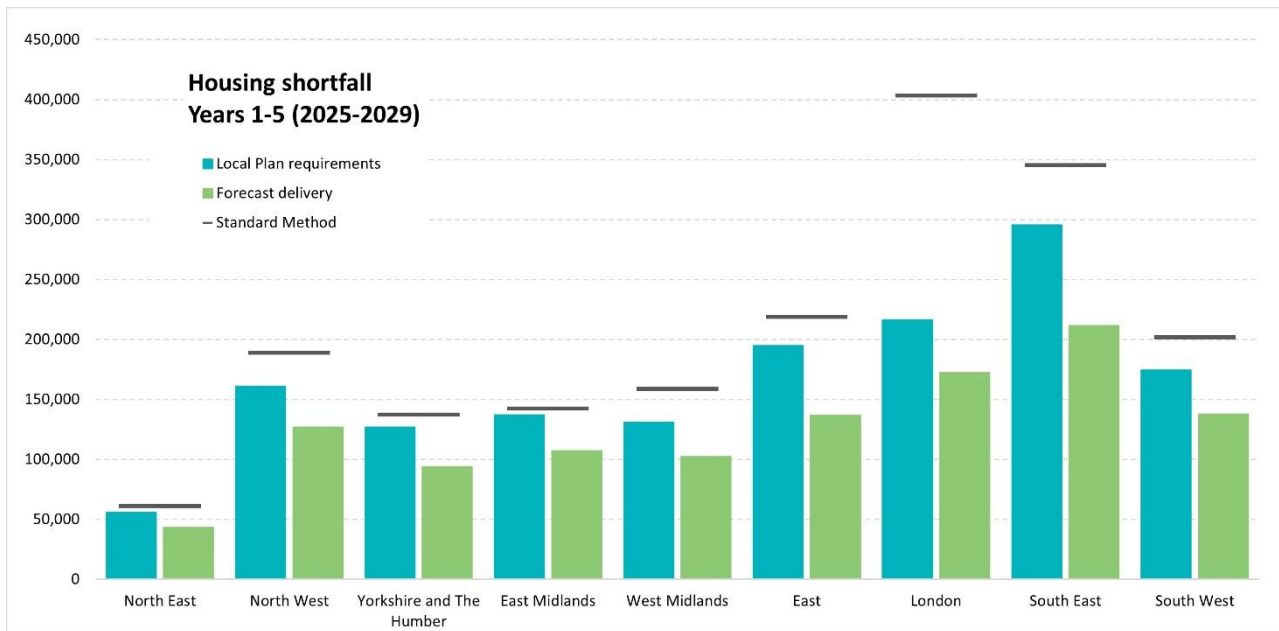
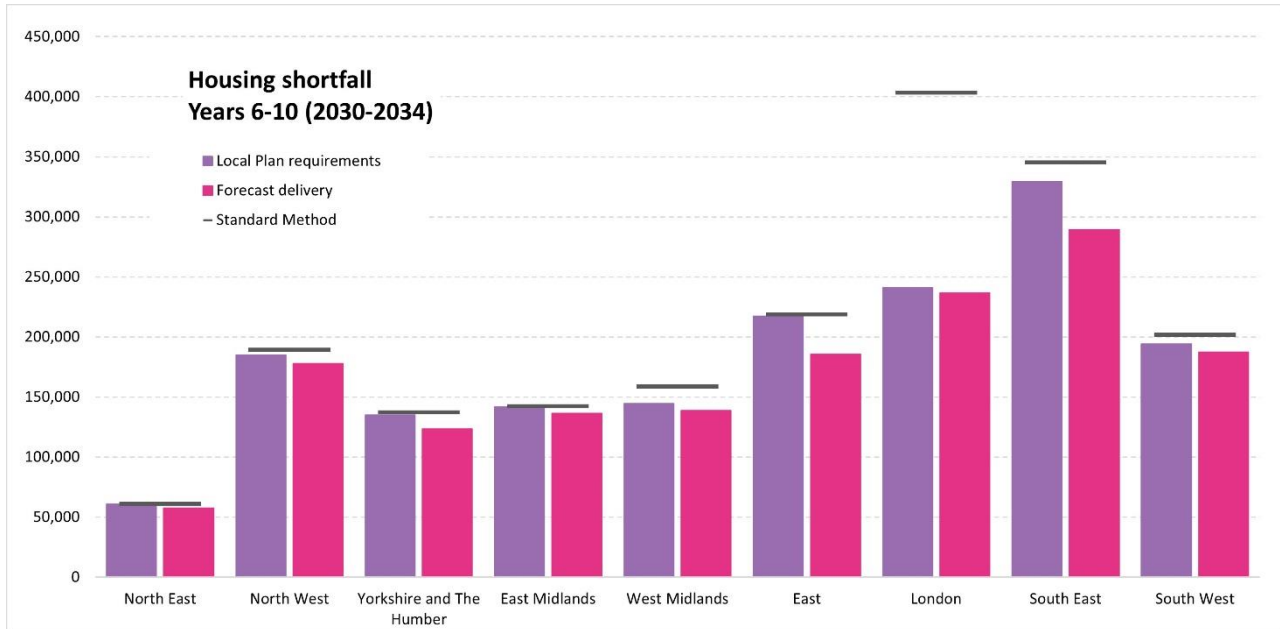
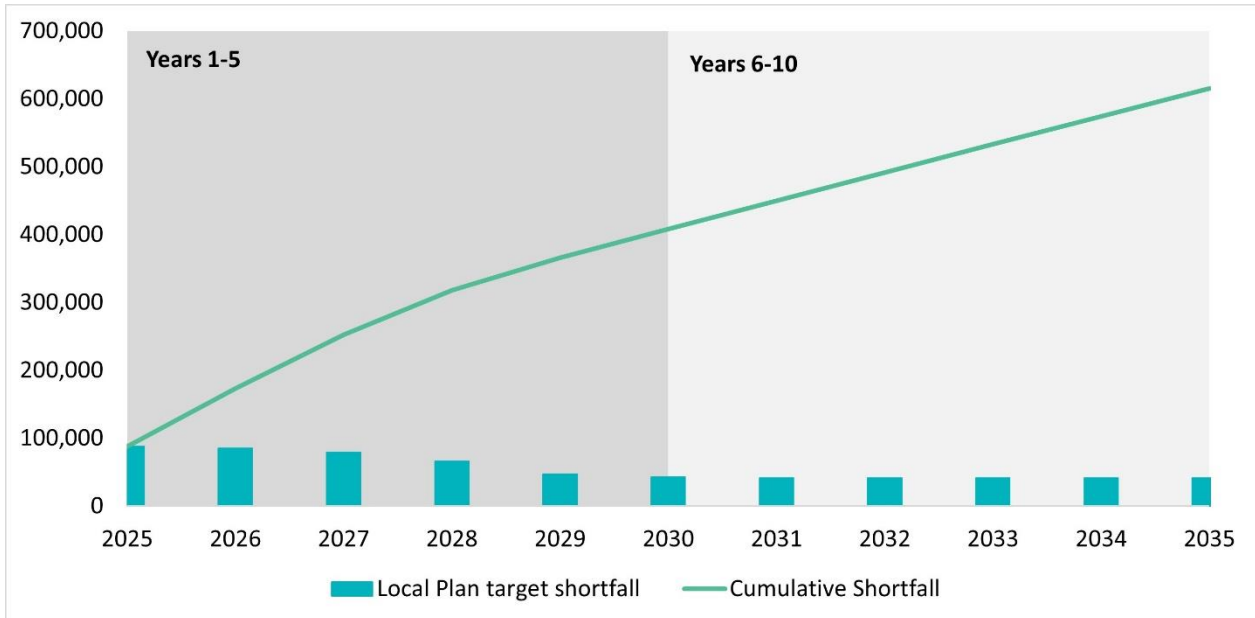


Figure 3 Housing shortfall (2029-2034)



- 3.6 A more positive picture is seen across the second five years of the new NPPF (see Figure 3). With the exception of London and its assumed ongoing constraints, all other regions are estimated to more or less reach the housing targets set by the Standard Method.
- 3.7 These higher housing targets result in a corresponding uplift in housing delivery which is forecast to rise to 1.6m between 2030 and 2034: a notable improvement on past levels, but still 20% short of housing need under the proposed Standard Method.
- 3.8 The implications of LPAs continuing to plan for less than their local housing need identified through the Standard Method is set out at Figure 4, which shows a cumulative shortfall of 370,000 homes by 2029 between Local Plan targets and the Standard Method housing need, growing to 615,000 by 2034.

Figure 4 Local Plan target shortfall against Standard Method



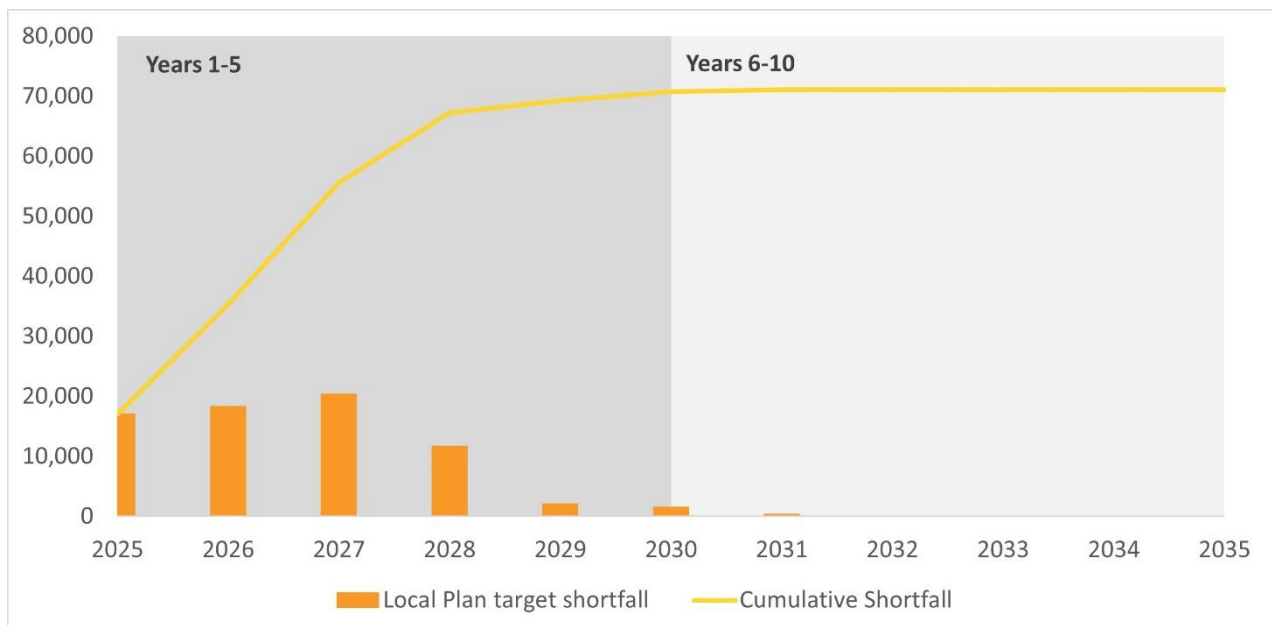
- 3.9 Whilst a proportion of the shortfall is partly a result of LPAs with existing up-to-date Local Plans, there are also a significant number of LPAs where submission of a plan under the current NPPF with the proposed transitional arrangements would delay the preparation and adoption of a new plan that aims to address the new housing need figures, including unmet need<sup>7</sup>.
- 3.10 The transition 'opportunity' has led to a rush of LPAs announcing early consultations and condensed timeframes in an apparent effort to defer the increase in housing numbers. A list of LPAs that have submitted or published an emerging Local Plan that would benefit from the transitional arrangements or have announced that they intend to submit or publish their Local Plan prior to the implementation of the new NPPF is provided at Appendix 1.
- 3.11 In light of the Minister of State's instruction<sup>8</sup> that PINS should no longer follow a doctrine of 'pragmatism' (whereby Local Plans at Examination would be prolonged - sometimes interminably - to allow for updates and additional evidence, rather than being found unsound), it is possible that a number of these emerging Local Plans may be withdrawn or found unsound. We have nonetheless assumed for our assessment that the LPAs have submitted a plan they consider to be sound and that they will progress. This is a prudent assumption for our assessment, given that progressing a plan that is ultimately not adopted will still delay the practical impact of the new Standard Method housing need in terms of realistic applications in the short term.

<sup>7</sup> Which, under the new NPPF, all falls to be addressed via the duty to cooperate, compared to the current NPPF where the 35% urban uplift does not need to be addressed in neighbouring LPAs if it cannot be met within the urban area.

<sup>8</sup> See letter to Chief Executive of the Planning Inspectorate [here](#)

- 3.12 Compared to a scenario without any transitional arrangements (i.e. if the NPPF and Standard Method applied immediately), the proposals in the draft NPPF would directly result in a shortfall of over 70,000 homes being planned for, with the majority of this undersupply falling within the first five years of the new NPPF. There is a lag effect in terms of build out from submission of applications, but within the first five years to end of 2029, this would lead to around 35,000 fewer homes being built in the final two years (equivalent to 15-20,000 per year in years four and five) than if the transitional arrangements were removed.
- 3.13 Notably, this shortfall is not just a result of individual LPAs progressing Local Plans that fall short of their own housing need as identified by the Standard Method. Significantly, a number of ‘receiver’ LPAs are those that would likely need to address not only their own housing needs but also increased amounts of unmet housing need from constrained LPAs in their sub-region through the duty to cooperate (or future strategic planning mechanisms). By progressing now under the transition arrangements, they will 'lock-in' to their lower housing targets and extend the period before that unmet need is addressed.
- 3.14 Even if these submitted plans are subsequently found unsound or have to be withdrawn, or the LPA is required to begin progressing a new Local Plan under the new plan making system, the transitional arrangements would delay the adoption of a new plan until at least 2029, compounding the identified shortfall. This is in the context that we do not yet know how the new plan making arrangements will apply in practice and what "*at the earliest opportunity*" in para 227 means in practice.

Figure 5 Local Plan target shortfall under Transitional Arrangements



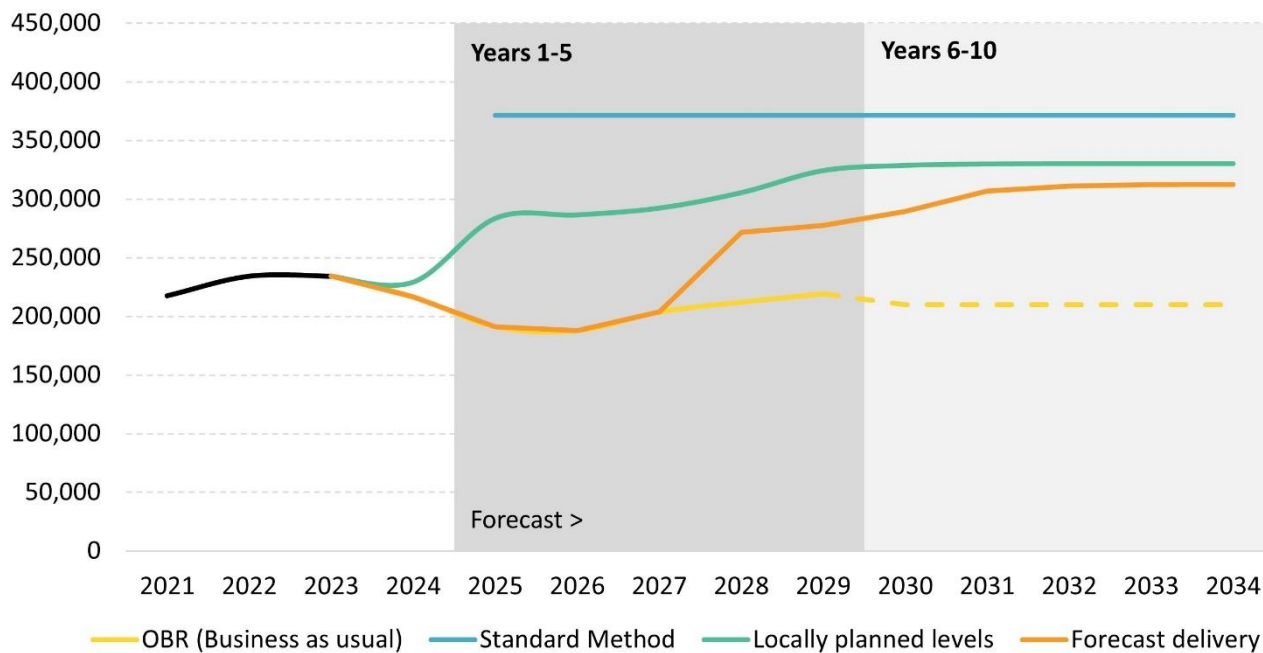


## 4.0 Summary and conclusions

4.1 The proposed NPPF in combination with changes to the Standard Method puts in place a positive platform for boosting annual housing delivery to 300,000 net additions and beyond. However, the analysis shows that the number of homes that will realistically be delivered will be subdued for at least the next few years. The causes lie in multiple factors, including the difficult planning legacy of the period from 2020 leading up to the December 2023 NPPF, ongoing issues around nutrient and water neutrality, Registered Provider capacity for affordable homes, and the challenging economic circumstances impacting on demand.

4.2 This places a heavy burden on the later years of the five-year period commencing 2025 to boost housing supply to address the inevitable backlog that arises (from the Government’s goal of 1.5m homes within the Parliament. But the lead-in times mean that planning for that post-2028 boost needs to happen immediately. Figure 6 below presents a forecast of likely targets and housing delivery based on the current NPPF and its transitional arrangements, applied based on the status of Local Plans.

Figure 6 Overview of forecast Local Plan targets against Standard Method and Housing Delivery



4.3 Our modelled assessment, based on a set of assumptions applied to every LPA, identifies that:

- 1 Constraints to supply in some LPAs, and especially in London, means that the long term ‘run-rate’ for planned housing targets and its delivery could sensibly reach over 300,000 per annum in the medium term. This is to large extent achieved by virtue of boosts to delivery in areas current constrained by Green Belt. In the context of the past few decades, and the circumstances as they are today, this would still be a positive achievement.

- 2 However, the transitional arrangements proposed – in which five year land supply and application of the tilted balance in many areas will be determined by current adopted or emerging local plans – act against the Government’s stated objective and will limit the immediate boost in flow of permissions that is necessary to significantly increase delivery within years 4-5.
- 3 Compared to a situation where there are no transitional arrangements in the NPPF, and the new Standard Method applies immediately in all LPAs, the impact of the transition equates to 70,000 fewer homes being planned for in years 1-5. The transitional arrangements have a ‘double whammy’ impact:
  - a Where an LPA has a plan set at lower than the new Standard Method, it bakes in that lower target for five-year land supply purposes until that plan is replaced by a new NPPF-compliant plan, and for those areas that have or will submit a Local Plan before the new NPPF applies, that is unlikely before 2029, if at all.
  - b Where the LPA is a ‘receiver’ in an area likely to face taking on-unmet need from constrained LPAs, the transitional arrangements are likely to result in the unmet need remaining unaddressed ahead of the new post-NPPF local plan coming into play from 2029 or later. The 200-home threshold for emerging Local Plans ignores the presence of unmet need within a local area, meaning that some areas pressing ahead with plans close to their own standard method, but without engaging with higher levels of unmet need in their sub-region, will not need to address it before new Strategic Plans might emerge, which even if all runs smoothly is likely towards the end of this decade in areas outside the existing Mayoral/Combined Authorities.
- 4 If further LPAs bring forward Local Plans and/or the publication of the NPPF extends into 2025 (unlikely, but one never knows), the effect of the transition will worsen.

## **5.0 Recommendations**

- 5.1 In broad terms, we do not see a strong case for the proposed transitional arrangements if the Government’s aim is to genuinely boost housing supply towards the 1.5m home goal within years 1-5. In some cases, LPAs that would benefit from the transitional arrangements are only in that position because they are running some years behind schedule (having delayed their plans following the December 2022 NPPF consultation) and/or have suddenly accelerated production in the immediate aftermath of seeing the proposed NPPF and Standard Method that would increase the housing need pressure on their area.
- 5.2 There might be said to be a ‘moral hazard’ in protecting those LPAs from the consequences of their delay in these circumstances. Equally, one needs to be careful not to ‘throw the baby out with the bathwater’ in that some of the local plans (however late they are) will be allocating new sites to support housing delivery, and particularly for larger-scale

allocations, one might not otherwise see those proposals emerge through applications running ahead of the local plan<sup>9</sup>.

5.3 There appear to be three options:

- 1 **Maintain the current proposed transitional arrangements:** based on our assessment, this would appear likely to undermine the Government's ambitions to boost supply. But were transitional arrangements kept, it would still be necessary to give a cut-off period for a plan submitted under the transitional arrangements to be adopted, otherwise it risks an LPA 'gaming' the system to draw out the period of examination and adoption to extend the period in which lower housing requirements apply. The Government may wish to consider alternative thresholds based on a percentage of total housing in an LPA rather than a flat-rate of 200 dpa, which can equate to a significant proportion of overall need for smaller LPAs. Overall, though, we consider sticking with the draft proposals is least consistent with the Government's stated objective.
- 2 **Remove all transitional arrangements:** this would mean that immediately on adoption of the new NPPF:
  - a Any plan that was at Examination ahead of adoption or receipt of the Inspector's Report would need to be examined against the new NPPF and Standard Method. Some Local Plans might well be in a position to be modified to accommodate higher housing targets (their own or neighbours), but others might find themselves having to be withdrawn because the proposed changes cannot be addressed within six months (pursuant to the Minister of State's instruction to PINS on 'pragmatism' referred to above). This might lead to otherwise welcome housing allocations – including in areas of Green Belt – falling away. This latter risk could be mitigated by providing in the NPPF for draft allocations in emerging Local Plans that have been through Reg 19 to carry some weight in favour of development being granted permission were planning applications for those sites submitted ahead of a fresh local plan being prepared; and
  - b Irrespective of when an existing or emerging Local Plan was adopted, the five-year housing land supply for an LPA should be immediately based on the new Standard Method figure, not the adopted requirement figure, until a new NPPF-compliant Local Plan was in place;
- 3 **Hybrid transitional arrangements:** this would provide for emerging Local Plans to proceed as submitted in order that emerging housing allocations and policies are given the chance to proceed in a sound plan, but any existing or emerging strategic plan examined before the new NPPF would not set the housing requirement for five year land supply purposes unless it was higher than the new figure for that LPA in the new Standard Method and would in any event be subject to immediate review.

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<sup>9</sup> That is not the case with all plans. A number claim to be able to already demonstrate a five year land supply even without their Local Plan. Their new Local Plans are therefore more focused on addressing need for years 6-10 and 11-15 of their period.

- 5.4 None of these would directly address the problem that, ahead of a strategic plan or the duty to cooperate applying to new Local Plans (which are unlikely to be in place at least before 2029), the unmet housing need arising from the Standard Method (and the fact some areas face constraints) will likely remain unaddressed (falling between the cracks). The Government could seek to resolve this to some extent in the short term by a further change:
- 4 Within twelve months, use a **Statement of Ministerial Policy to identify a series of strategic planning areas** (based on Mayoral/Combined Authorities and other logical geographies, including emerging devolution deals) where the Government considers<sup>10</sup> unmet development need is likely to be significant and either:
    - a prescribe quickly within those areas a preliminary estimate of how unmet need should be distributed for five-year land supply purposes as a ‘policy-on’ adjustment to the Standard Method (not dissimilar to how Government added 35% to the assessment of ‘need’ in the standard method for the urban uplift in December 2020 or added a ‘cap’ to reflect the status of local plans in the original method), pending a formal distribution through the eventual strategic plan; or
    - b identify that within the strategic planning area, it should be assumed that there is no five-year land supply in any LPA ahead of a strategic plan setting the distribution.

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<sup>10</sup> Based on existing evidence, including from current rates of housing delivery, adopted local plans, statements of common ground, previous local plan examinations.

## Appendix 1 LPAs falling under Transitional Arrangements

Local Planning Authority	Region	Housing Target			Emerging Local Plan Status
		Standard Methodology	Current Local Plan	Emerging Local Plan	
Amber Valley	East Midlands	682		502	(Submitted 29/07/2024)
Ashfield	East Midlands	604		446	(Submitted 29/04/2024)
Bournemouth, Christchurch and Poole	South West	2,962	1,723	1,600	(Submitted 27/06/2024)
Bristol	South West	3,057	1,320	1,925	(Submitted 25/04/2024)
Cannock Chase	West Midlands	555	241	264	(Published 05/02/2024)
Charnwood	East Midlands	1,012	820	1,111	(Submitted 03/12/2021)
Chichester	South East	1,206	435	575	(Submitted 03/05/2024)
Crawley	South East	661	340	314	(Submitted 31/07/2023)
Dover	South East	789	700	611	(Submitted 31/03/2023)
East Riding of Yorkshire	Yorkshire and The Humber	2,088	1,400	1,100	(Submitted 31/03/2023)
Elmbridge	South East	1,443	225	452	(Submitted 10/08/2023)
Erewash	East Midlands	569	368	387	(Submitted 30/11/2022)
Horsham	South East	1,294	800	777	(Submitted 26/07/2024)
Hyndburn	North West	313	213	194	(Published 19/02/2024)
Isle of Wight	South East	1,104	520	453	(Published 08/07/2024)
King's Lynn and West Norfolk	East	1,042	660	539	(Submitted 29/03/2022)
Leicester	East Midlands	1,690	1,280	1,296	(Submitted 26/09/2023)
Malvern Hills	West Midlands	609	421	301	(Submitted 27/09/2023)
Mid Sussex	South East	1,276	964	1,090	(Submitted 08/07/2024)
Middlesbrough	North East	589	410	400	(To publish 31/01/2025)
Mole Valley	South East	757	188	353	(Submitted 14/12/2022)
Newcastle-under-Lyme	West Midlands	593	285	400	(To Publish 12/08/2024)
North Lincolnshire	Yorkshire and The Humber	746	754	396	(Submitted 11/11/2022)
North Norfolk	East	943	400	480	(Submitted 11/05/2023)
North Somerset	South West	1,587	1,049	993	(Published 27/11/2023)
Nuneaton and Bedworth	West Midlands	774	703	545	(Submitted 12/02/2024)
Oxford	South East	1,051	431	481	(Submitted 28/03/2024)
Portsmouth	South East	1,098	547	720	(Published 09/07/2024)
Sandwell	West Midlands	1,509	1,074	549	(To publish 23/09/2024)
Sheffield	Yorkshire and The Humber	2,667	1,352	2,090	(Submitted 06/10/2023)
Shropshire	West Midlands	2,059	1,375	1,400	(Submitted 03/09/2021)
Solihull	West Midlands	1,317		938	(Submitted 13/05/2021)
South Oxfordshire	South East	1,179	981	579	(To publish 01/10/2024)
South Staffordshire	West Midlands	676	175	263	(Published 18/03/2024)
South Tyneside	North East	706	325	309	(Published 23/01/2023)
Spelthorne	South East	755	166	618	(Submitted 25/11/2022)
St Albans	East	1,544		888	(To publish 26/09/2024)
Stroud	South West	844	456	630	(Submitted 25/10/2021)
Surrey Heath	South East	658	191	294	(Published 07/08/2024)
Teignbridge	South West	1,066	621	720	(Submitted 14/03/2024)
Tunbridge Wells	South East	1,045	300	678	(Submitted 01/11/2021)
Uttlesford	East	749		675	(Published 08/08/2024)
Vale of White Horse	South East	937	1,028	633	(To publish 01/10/2024)
West Berkshire	South East	1,057	525	538	(Submitted 31/03/2023)
West Suffolk	East	1,200	853	806	(Submitted 28/05/2024)
Wiltshire	South West	3,476	2,100	2,041	(Published 27/09/2023)

Local Planning Authority	Region	Housing Target			Emerging Local Plan Status
		Standard Methodology	Current Local Plan	Emerging Local Plan	
Winchester	South East	1,099	625	756	(Published 29/08/2024)
Wirral	North West	1,755		835	(Submitted 26/10/2022)
Wokingham	South East	1,308	662	748	(To Publish 30/09/2024)
Worcester	West Midlands	584	283	277	(Submitted 27/09/2023)
Wychavon	West Midlands	959	479	397	(Submitted 27/09/2023)
York	Yorkshire and The Humber	1,251		867	(Submitted 25/05/2018)



## Appendix B – The potential economic impacts of building 370,000 dwellings per annum

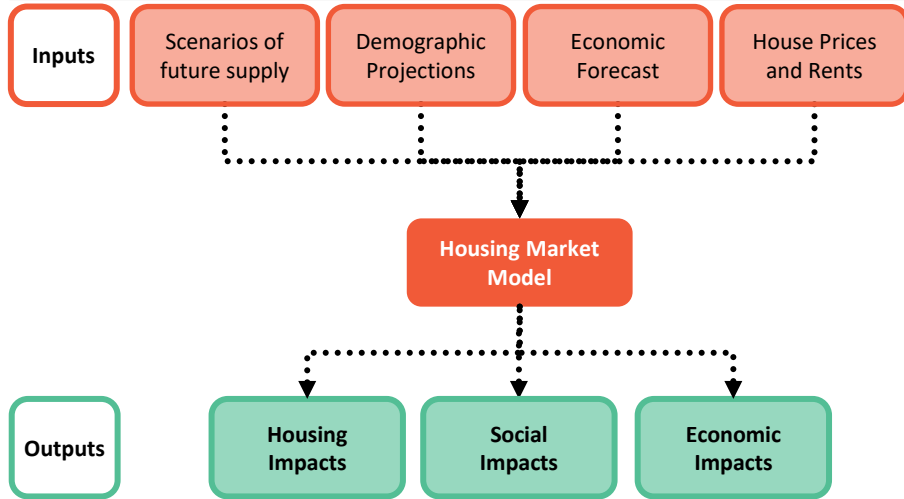


# Approach and scenarios of future supply

Lichfields has run a housing market model to compare the impacts of delivering 370,000 dwellings per annum against circa 213,000 a year under a ‘business as usual’ scenario.

## Assessing the impact of housing supply

To assess the impact of delivering 370,000 homes per annum by end of this parliament (i.e. by 2029) on social and economic outcomes we have applied an analytical framework using a series of established tools and assumption, based on a national-level assessment. The outputs are necessarily an estimate based on a set of relatively conservative assumption: in reality, the consequences of new housing supply will be sensitive to a wide range of factors, not least where in England the extra homes are built.



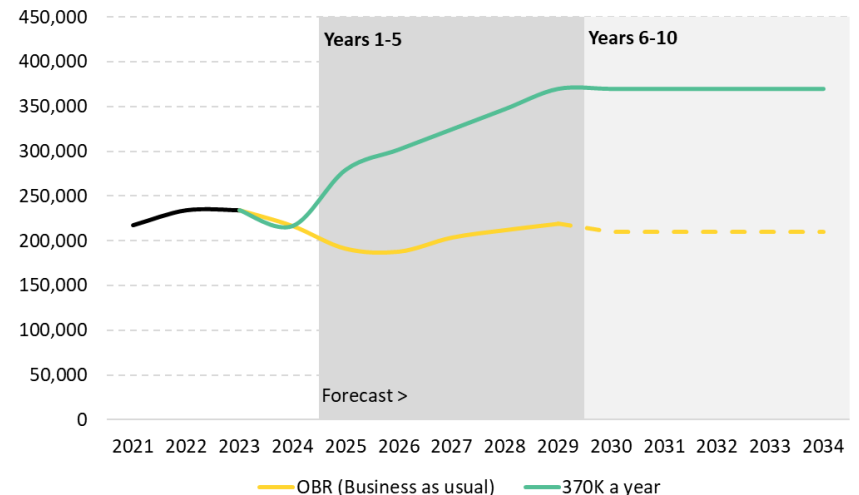
**Data sources:**  
 OBR Economic and Fiscal Outlook – March 2024  
 ONS Census 2021, Population and Household Projections  
 ONS Housing Market Data  
 DLUHC Planning and Housing statistics  
 English Housing Survey

## Scenarios of future supply for assessment

Government sees 370,000 dwellings per annum as the minimum level of housing need for which it wishes to plan. The proposed new Standard would – if implemented – ramp up output to seek to address historic backlogs in housing delivery. It is possible other measures – such as New Towns – might supplement this planned delivery.

For the purposes of assessing the benefits of a marked boost to housing delivery, the modelling assumes that housing delivery will increase rapidly from current levels to 370,000 per year by 2029 and then hold at that level. For the purposes of this assessment, it implies 1.6m additional homes over Years 1-5, rising to 1.85m in Years 6-10. To benchmark the impacts arising from the delivery of 370,000 dpa, we model a ‘business as usual’ scenario based on the OBR’s forecast and long term run rate of 200,000 per annum. Obviously, the trajectory to 370,000 per annum is not an assessment of likely delivery.

Figure 2 – Historic and projected net additional dwellings per year, 2021-2034



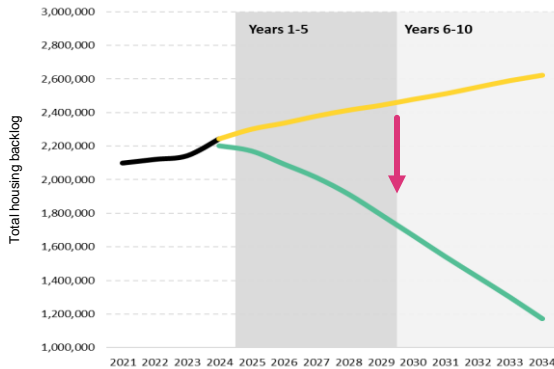
Source: DLUHC, Office for Budget Responsibility, Lichfields

# 370,000 dwellings per annum: Potential Social Impacts

Compared to business as usual, a step-change in housing delivery to 370,000 could have tangible social impacts, reducing the housing shortfall, and number of homeless or concealed households

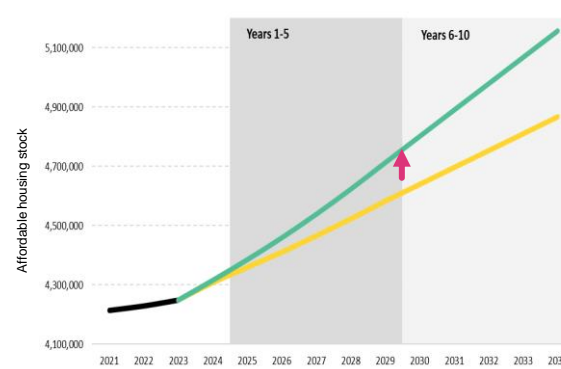
Outcomes under... (1) 'Business-as-usual' and (2) Proposed 370,000 dwellings per annum

## A reduction in overall housing backlog



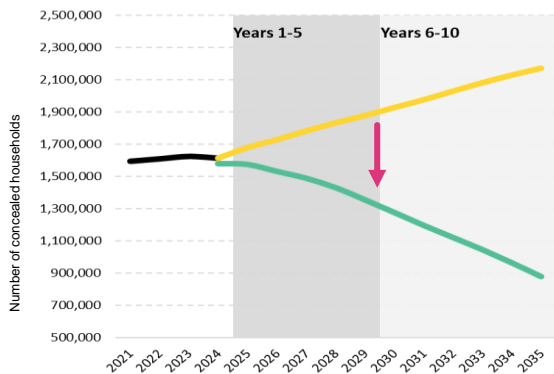
At current build rates, the backlog of homes will increase. Planning for 370,000 dpa by 2029 homes would reduce the predicted shortfall by **650,000**. If delivery were maintained in the long-term, the shortfall would be 1.5m lower by 2034, but still at 1.2m

## A significant boost to affordable housing supply



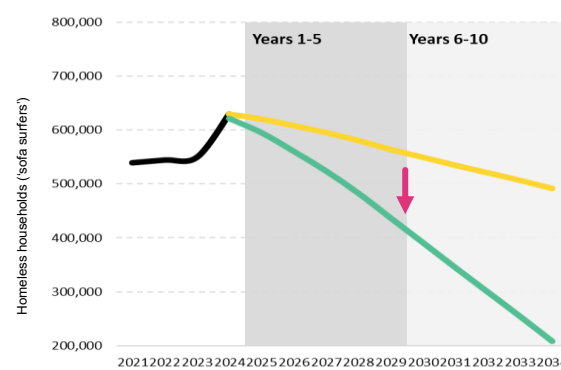
All things being equal, planning for 370,000 dpa would provide **130,000** additional affordable homes (400,000 in total) compared to 'business-as-usual', and if the rate sustained, it could mean 290,000 further additional affordable homes by 2034

## Helping reduce the number of concealed households



**520,000** Reduction in the number of concealed families when planning for 370,000 dpa, compared with 'business-as-usual' which would see things worsen. This could further improve in the long-term if housing supply were sustained but might otherwise increase to around 2.1m

## Helping reduce homelessness



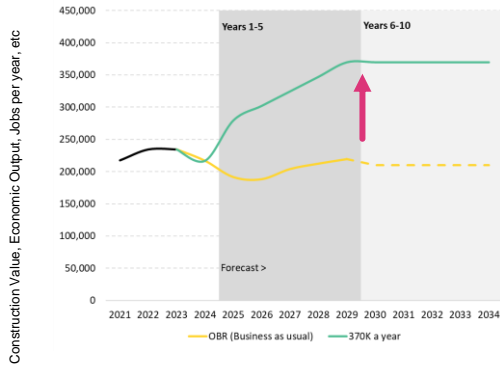
All things being equal, planning for 370,000 dpa could reduce homelessness by **120,000**. If delivery is maintained in the long-term, homelessness in 2034 could be reduced to around 210,000 – around a third of current levels

# 370,000 dwellings per annum: Potential Economic Impacts

Boosting supply to meet need by 2029 could have economic and housing market impacts, supporting jobs and tax revenue, as well as stabilising housing affordability in the longer term

Outcomes under... (1) **OBR, i.e. 'Business-as-usual'** and (2) **Proposed 370,000 dwellings per annum**

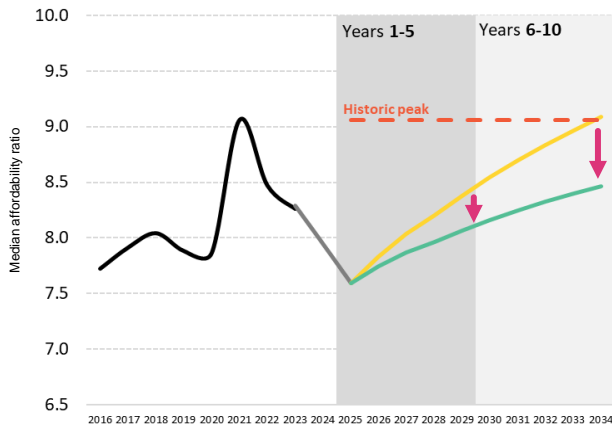
Even assessed narrowly, 370,000 dpa would support a significant **economic boost** by generating economic output, jobs, tax, spending and developer contributions



Planning for 370,000 dpa of additional housebuilding **over and above** 'business-as-usual' could generate annually....

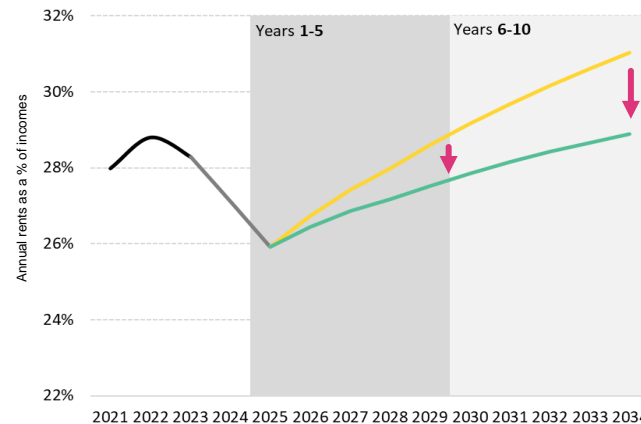
<b>+£21bn</b> In extra direct <b>capital investment</b>	<b>+£35bn</b> in extra direct <b>economic output</b> plus more indirect and induced benefits	<b>+315,500 jobs</b> Extra, full-time, direct
<b>+£1.5bn</b> In extra <b>stamp duty</b> receipts	<b>+£232m</b> in extra <b>council tax</b> revenue	<b>+£1.1bn</b> In extra first occupation spending
<b>+£930m</b> in extra <b>NI</b> (from construction)	<b>+£5.2bn</b> In extra developer <b>contributions</b> (including £3.5bn for affordable housing)	<b>+£774m</b> in extra <b>PAYE</b> (from construction)

Extra supply moderates prices, helping peg **affordability** below historic levels



Under 'business as usual', the affordability ratio could reach historic highs in the long-term, but a sustained boost in supply could help moderate this trend. Prices would rise, but at a slower rate. Planning for 370,000 dpa could help first-time buyers save **£1,900** on their deposit or **£4,300** by 2034

It would help improve **rental affordability**



At 'business as usual' rates, rents could reach more than 30% of incomes in the long-term, but a sustained boost in supply could help stem this worsening of rental affordability. Planning for 370,000 dpa would help renters save **£430/year** or **£970/year** by 2034

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**Appendix C - Fool's gold? How a rigid approach to affordable housing and benchmark land values for green belt could undermine housing delivery**



# Briefing Note

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**Our ref** 68813/02/MS/MA  
**Date** 23 September 2024

## **Subject Fool's gold? How a rigid approach to affordable housing and benchmark land values for green belt could undermine housing delivery**

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### **1.0 Introduction**

- 1.1 The consultation on the draft NPPF has reignited the debate on land value capture through planning insofar as it relates to development that occurs on land that was (or is) designated as Green Belt.
- 1.2 The government proposes that the 'golden rules' should apply, which include requiring 50% of homes on site to be affordable<sup>1</sup> and then proposes three options for approaching viability.
- 1.3 First of these is that the Government should "*set indicative benchmark land values [BLV] for land released from the Green Belt to inform the policies developed on BLV by LPAs*" to be set at a "*fair level*" allowing for what Annex 4 of the draft NPPF describes as a "*reasonable and proportionate premium for the landowner*". The consultation refers to BLVs currently being set at a range of 10-40 times Existing Use Value (EUUV) and notes a suggestion it could be reduced to three times EUUV. The consultation states it is "*particularly interested in the impact of setting BLV at the lower end of this spectrum.*"
- 1.4 The two other options it sets out (preventing viability negotiation on planning obligations if the price paid has exceeded the nationally-set BLV, and late-stage reviews to secure additional contributions to achieve policy compliance) are to all intent and purposes already part of national policy and guidance<sup>2</sup>.
- 1.5 It is thus the combination of 50% affordable housing as a standard and nationally-defined BLV at the lower end of the spectrum that is significant.
- 1.6 The Government's new policy agenda recognises that release of Green Belt land will be necessary to meet development needs, and in our view, Green Belt land for an extra 75,000-

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<sup>1</sup> The other 'Golden Rules' identified in b) and c) of para 55 of the proposed Framework requiring "*necessary improvements to local or national infrastructure and the provision of new, or improvements to existing green spaces*" are unlikely to represent a significant change from what would be necessary in any event.

<sup>2</sup> The [Planning Practice Guidance](#) on viability already states "*The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan*" and "*under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.*". See at ID: 10-002-20190509 and ID: 10-006-20190509. Late stage reviews are already part of the planning firmament, see PPG ID: 10-009-20190509 and of course in London (they are not without complications, not least in terms of extending the time it takes to agree s.106 agreements).

100,000 homes a year could well be needed. In due course, local plans will properly be the vehicle for achieving this (in which landowners and developers will engage with LPA land availability studies) but in the short term<sup>3</sup>, the Government's ambitions for 1.5m homes (or coming anywhere close) largely depends on willing landowners agreeing with developers to invest in promotion of Green Belt land for housing via speculative applications<sup>4</sup> which may or may not be welcomed by the relevant LPA and thus risk incurring the extra costs of a s.78 appeal.

- 1.7 It goes without saying that 50% affordable housing is more than is judged viable in almost all local plans<sup>5</sup>, and there are significant differences in values across the country (see Figure 1 below). In general terms, it is unlikely that 50% affordable housing will be viable in areas where values are below £4,000 per square metre. These represent 59% of the Green Belt (see Table 1), meaning that this national target will require viability assessment for pretty well any Green Belt development proposal coming forward in those areas. In the 41% of Green Belt where values are above £4,000 per square metre, there may still be other infrastructure obligations which render 50% affordable housing unviable.

Table 1 Area of Green Belt by residential values per square metre

Residential value per sq metre	Green Belt (Ha)
<£2,000	65,193
£2,000-2,999	514,899
£3,000-3999	375,095
£4,000-4,999	330,778
£5,000-5,999	273,647
£6,000+	74,323

Source: Property Data / Lichfields analysis

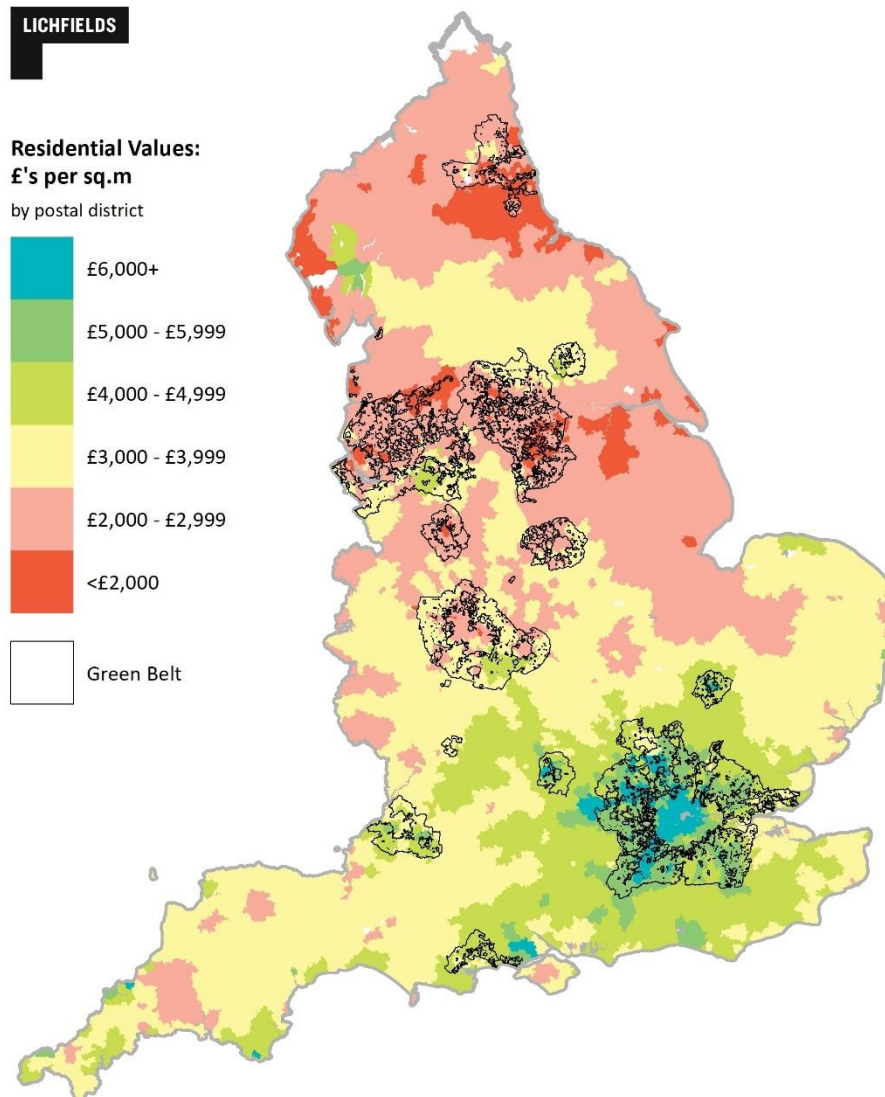
<sup>33</sup> Due to the absence of Local Plans that provide for anything close to the higher levels of local housing need

<sup>4</sup> This is explicitly recognised by the proposed changes to the NPPF at para 152 with triggers for the development of 'Grey Belt' land.

<sup>5</sup> In St Albans – which has some of the highest house prices outside London – the evidence-based requirement is 40%.



Figure 1 Residential values per square metre and the Green Belt



Source: Property Data / Lichfields analysis

- 1.8 So, in stretching affordable housing requirements for Green Belt but also achieving the necessary increase in supply of housing, it is critical that Government calibrates its efforts so that development remains viable, and that landowners, investors and developers are encouraged to bring forward projects for development.
- 1.9 The Government's tentative suggestion to reduce BLVs on a national basis speaks to a view - which appears on a recurring basis in certain policy circles (and seemingly not always fully cognisant of the reforms to viability introduced by the PPG in 2019) - that there remains large amounts of untapped value in the increase in land value arising from permission.

1.10 The Government's tentative suggestion to reduce BLVs on a national basis speaks to a view - which appears on a recurring basis in certain policy circles (and seemingly not always fully cognisant of the reforms to viability introduced by the PPG in 2019) - that there remains large amounts of untapped value in the increase in land value arising from permission.

1.11 But all that glitters may not be gold. If the real-world effect (albeit unintended) is to see less development coming forward, would this proposal represent a planning form of iron pyrite?

1.12 The following analysis<sup>6</sup> seeks to answer that question.

## **2.0 What should influence an appropriate BLV?**

2.1 Much of the debate over the level of BLV is dominated by the question of:

- how much premium above EUV is necessary to “*reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land*”<sup>7</sup>.

2.2 That is indeed important, but it is not the only consideration. As noted by Knight Frank<sup>8</sup>, also relevant is how the BLV relates to two important steps in the planning and development process, namely:

- The uplift necessary to secure the investment in land promotion (converting its EUV to its BLV through the securing of planning permission<sup>9</sup>); and
- Funding up-front infrastructure/servicing of plots for housebuilding.

2.3 Each of the three factors is considered in turn.

### **1. Motivating a willing landowner to sell their land**

2.4 The Harman Review (2012)<sup>10</sup> identified several considerations involved in setting a BLV that would be sufficient to motivate landowners to make their land available for development:

- 1 The appropriate premium above current use value should be determined locally. If the value does not reflect local discussions and conditions and cover all relevant costs, including tax and fees, there is an increased risk that land will not be released. The premium should consider the key landowners in the area, as those with longer-term investment horizons may require a higher premium than those more inclined to sell.
- 2 Non-urban sites and urban extensions are more complex, as landowners are typically not distressed sellers and may have longer-term perspectives on land disposal, potentially making a once-in-a-lifetime decision over an asset that may have been in

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<sup>6</sup> Prepared pursuant to an instruction from the Home Builders Federation (HBF) and the Land, Planning and Development Federation (LPDF)

<sup>7</sup> See PPG ID: 10-013-20190509

<sup>8</sup> See blog [here](#)

<sup>9</sup> A separate activity to the developer profit that is reflected in the 15-20% return on Gross Development Value within the viability appraisal.

<sup>10</sup> Viability Testing Local Plans – Advice for planning practitioners (June 2012) available [here](#)

the family, trust or institution's ownership for many generations. Large greenfield sites often demand significantly higher premiums due to the long-term nature of landownership and the significant implications of selling.

- 3 For smaller, edge-of-settlement greenfield sites, landowner expectations may be higher than larger greenfield sites (and more in line with urban areas) because landowners will have in mind the prospect of securing a beneficial permission at some point in the future.

2.5 The Harman Review assessment goes to what is apparent to anyone who has tried to secure an option or promotion agreement on land for development: owners are generally highly reluctant to dispose of assets they have often owned for a long time, and from which they derive their income and in many cases, their whole way of life.

2.6 The review of BLVs by Lichfields cited by the Government's consultation<sup>11</sup> did identify a range of 10-40 times EUV in various viability studies, but the amounts varied both within and between local areas, and – importantly – between sizes and types of site. In 52% of studies, the BLV for greenfield land sat within a range of 15 to 20 times EUV. For smaller sites, it is common for smaller sites to use an EUV plus a fixed amount of, say, £0.5m per hectare. The expectations of a landowner will also be clearly influenced by their view of how much development land is worth taking into account local property values, including those of alternative uses for which the site might be developed. The Harman Review assessment goes to what is apparent to anyone who has tried to secure an option or promotion agreement on land for development: owners are generally highly reluctant to dispose of assets they have often owned for a long time, and from which they derive their income and in many cases, their whole way of life.

2.7 The three times EUV flows from work by Professor Glen Bramley<sup>12</sup> in which he floats the idea of a much-reduced uplift in these terms:

*“It may well be that prices at that level [15 times EUV] are needed to persuade long term (and other) landowners to sell, although some of the surprisingly large figure for greenfield land may go into the process of getting sites into or through the planning system. It is clearly way in excess of what a working farmer would need to move to a different farm. I would hope and expect that an incoming Government would change expectations clearly in this respect, certainly for greenfield land, so in my version I have reduced the mark-up from 15 times to 3 times. This may be an area for further discussion, as we do not want the supply of sites to dry up.”*

2.8 The last point flagged by Professor Bramley is clearly the million dollar (per hectare?) question. The Government's consultation paper suggests that Green Belt has been subject to “severe restrictions on development” and that this must logically dampen landowner expectations compared to other greenfield land. But in fact, there has been a steady flow of development on land that is or was Green Belt over past decades, either justified by ‘exceptional circumstances’ through local plans or, less commonly, applications via ‘Very

<sup>11</sup> Fine Margins: Viability assessments in planning and plan making (2021) see [here](#)

<sup>12</sup> Bramley, G 2024, Housing Requirements in England Revisited. Heriot-Watt University - available [here](#)

Special Circumstances’: MHCLG figures show that since 2013, between 2,000 and 4,000 hectares of Green Belt land have been developed each year. Landowners with sites on urban edges in sustainable locations in areas with high housing need will have in mind that – with national policy that waxes and wanes - there is a reasonable prospect over a period of decades that their land might be developed just as with any other land; and in any event as reluctant sellers, it is about them receiving an amount that makes this ‘once only’ transaction worthwhile.

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- 2.10 But in any event, as reluctant sellers, it is about landowners receiving an amount that makes this ‘once only’ transaction worthwhile from their perspective.
- 2.11 An element in this respect is the prospect of an alternative use; some sites will be suitable for release for commercial uses, such as logistics or data centres, and if the equivalent ‘golden rules’ for these other uses draw down less of the development value than the 50% affordable housing equivalent, leaving a higher residual land value, it could make it more likely that landowners on possible residential sites hold out for what they might expect to achieve from that alternative use.
- 2.12 The final factor is of course that the BLV amount needs to reflect that an uplift in land value received by the landowner will be subject to capital gains tax (currently 24%, but more if this were increased, as speculated, to 45%<sup>14</sup>). Ahead of this, there are also promotion/planning costs to be deducted. This takes us to the next element of the BLV.

## **2. Investment in land promotion**

- 2.13 Moving a site from EUV to its BLV typically requires investment in planning: securing an allocation in a Local Plan and an implementable outline permission. This is necessary to establish the principle and broad scale of the site’s residential development potential.

<sup>13</sup> See MHCLG analysis [here](#)

<sup>14</sup> See [this piece](#) in the Times (£) which says “*Capital gains tax (CGT) is paid on the profits made from the sale of property (other than your main home), businesses, shares and most possessions worth more than £6,000. Basic-rate taxpayers pay 10 per cent CGT on most gains, but 18 per cent on property. Higher and additional-rate taxpayers pay 20 per cent CGT but 24 per cent on property gains. There is widespread speculation that Reeves could increase the rates so that they match up with income tax, which would mean 45 per cent for additional-rate payers.*”

- 2.14 This does not happen automatically, for a host of reasons that include those related to the need for local plans to present a range of options before selecting sites, as we discussed [here](#). And the costs – whilst varying depending on circumstances - can be significant:
- Research has found the costs of evidence to support an outline application for SME builders is now estimated at £125,000 plus application fees<sup>15</sup>;
  - Henley Business School presented a case study of a 2,000 home scheme with promotion costs of £1.5-2m<sup>16</sup>;
  - The North Essex Garden Communities SPV reportedly spent £6.8m to promote its three sites through the Local Plan, of which only one was eventually allocated<sup>17</sup>. This excludes any planning application costs;
  - The CMA found the direct costs associated with making planning applications can range from around £100,000 per application to around £900,000 per application depending on the size of a site<sup>18</sup>; and
  - If taken to appeal, the costs of an inquiry can easily reach £200,000-500,000<sup>19</sup>.
  - Knight Frank estimate a cost of £25,000 - £40,000 per gross acre to promote new settlements<sup>20</sup>, and in our experience this is comparable with other large sites.
- 2.15 Presently, LPAs rely on the private sector (landowners, housebuilders or specialist promoters) to assist in plan making by putting forward sites for consideration and provide the evidence necessary to satisfy the plan maker (and in due course examining Inspector) that the sites are suitable and meet the relevant NPPF tests. There is limited appetite or capacity in the public sector to promote multiple sites through their own local plans, and no plans to nationalise land promotion<sup>21</sup>. Even were there such ambitions, they would be costly and take several years to mobilise.
- 2.16 For planning applications that run ahead of the local plan on unallocated land (i.e. speculatively), it is self-evidently reliant on the landowner or a private sector promoter acting on its behalf to drive that process by investing in the preparation, submission and negotiation of planning permission (with all the risks involved, notably of not succeeding).

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<sup>15</sup> Lichfields, Small builders, big burdens, September 2023 available [here](#)

<sup>16</sup> See this [analysis](#) by Henley Business School at University of Reading

<sup>17</sup> See the media coverage in EssexLive [here](#)

<sup>18</sup> See para 4.30 of the CMA Housebuilding Study Final Report [here](#). These costs exclude internal staffing costs and the work ahead of a planning application, including promotion through the Local Plan process. We assume they also exclude appeal costs.

<sup>19</sup> Whilst an appellant can sometimes seek and secure an award of costs where an Inspector judges the LPA's behaviour unreasonable, this is rare.

<sup>20</sup> See Knight Frank analysis [here](#). It has been a valuable source of information for the analysis in this paper.

<sup>21</sup> Homes England's role is to support release of housing land in a more targeted way and/or through strategic partnerships, not to oversee the promotion of all potential housing land.

- 2.17 Taking the risk on a planning application is critical if the Government is to come close to its 1.5m homes ambition, reversing the shrinkage in the housing pipeline that has emerged in recent years, compounded by the lack of up to date local plans<sup>22</sup>.
- 2.18 The University of Reading described the role of land promoters thus:
- Specialist land promoters can be viewed as market intermediaries with relatively high appetites for and tolerance of planning risk. In order to operate effectively in the strategic land market, they will also usually have access to the resources and resilience to absorb and manage such risk. For some landowners, land promoters are essentially land venture capitalists. Given the site-specific nature of planning risk, the ability of large land promoters to promote and consequently to diversify across a number of sites, provides a source of competitive advantage.*
- 2.19 Having the ‘resources and resilience’ means receiving a sufficient return on their investment which they will secure from what is typically their share that is reported as 10-15% of the proceeds of the land sale. Given the time taken (measured in many years), that large costs are often incurred early in the process, and that not all land promotions will be successful, the promoter (be that a housebuilder, landowner or specialist promoter) will typically require a significant return on investment which Knight Frank report as being five times the costs incurred<sup>23</sup>. The BLV will thus need to be set to provide a sufficient return to achieve this, whilst still leaving sufficient value for the landowner after capital gains tax. Without this, there would be no business case to support the investment in that activity or persuade the landowner to make their land available in the first place.
- 2.20 To this it might be said that in due course a more streamlined planning system and positive policy environment will increase certainty, reduce the costs, and reduce the rate of return required by promoters. However, that is an unproven hypothesis, and its impacts (if successful) are in the medium to long term. In the short term, the Government's housing ambitions require these organisations - and their funders - to invest now to bring forward land.

### **3. Funding up-front infrastructure/servicing of plots for housebuilding**

- 2.21 The third element is that, once the principle of development is established through a planning permission, it is necessary to invest in up-front infrastructure and servicing the land for development. The Knight Frank analysis <sup>24</sup> refers to research on up-front infrastructure on large new settlement schemes of between £40,000 - £63,000 per plot and viability studies for local plans typically refer to costs of £5,000 to £25,000 per plot, with others providing equivalent figures per gross or net hectare. Obviously, on larger sites, the up-front infrastructure can be split into phases, but the amounts will vary significantly. The key challenge is that the works that are required before sufficient income is generated from house sales will need working capital through some form of loan facility where the residual value of the land with permission acts as security collateral, probably at no more than a

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<sup>22</sup> See analysis [here](#) of the challenge facing the Government in achieving 1.5m homes in this parliament.

<sup>23</sup> A figure validated by Lichfields discussions with specialist land promoters.

<sup>24</sup> Already referenced, available [here](#)



60% Loan to Value (LTV). The Knight Frank analysis identifies on its new settlement case study that the initial debt-funding requirement amounted to around one fifth of the total enabling infrastructure cost.

- 2.22 The alternative, of course, is for more significant up-front state funding of infrastructure, but scarce resources will in any event be needed for intervention on sites with large abnormal costs; there is no sense at all that the state has the resource (financial or bandwidth) to front-fund all residential development sites.

**Drawing it all together, what does this mean for BLVs that support delivery of new homes?**

- 2.23 In simple terms, the value of the land sufficient to support delivery of new homes needs to be the minimum of what is necessary to satisfy the three factors.

- 2.24 Every site will be different, but setting a BLV for viability purposes in the planning system needs to be resilient to different circumstances, such that sufficient deliverable land is brought forward. To illustrate what this means, in a simple modelling exercise we have identified a range of different BLV estimates based on what factor is seen to drive the land value required:

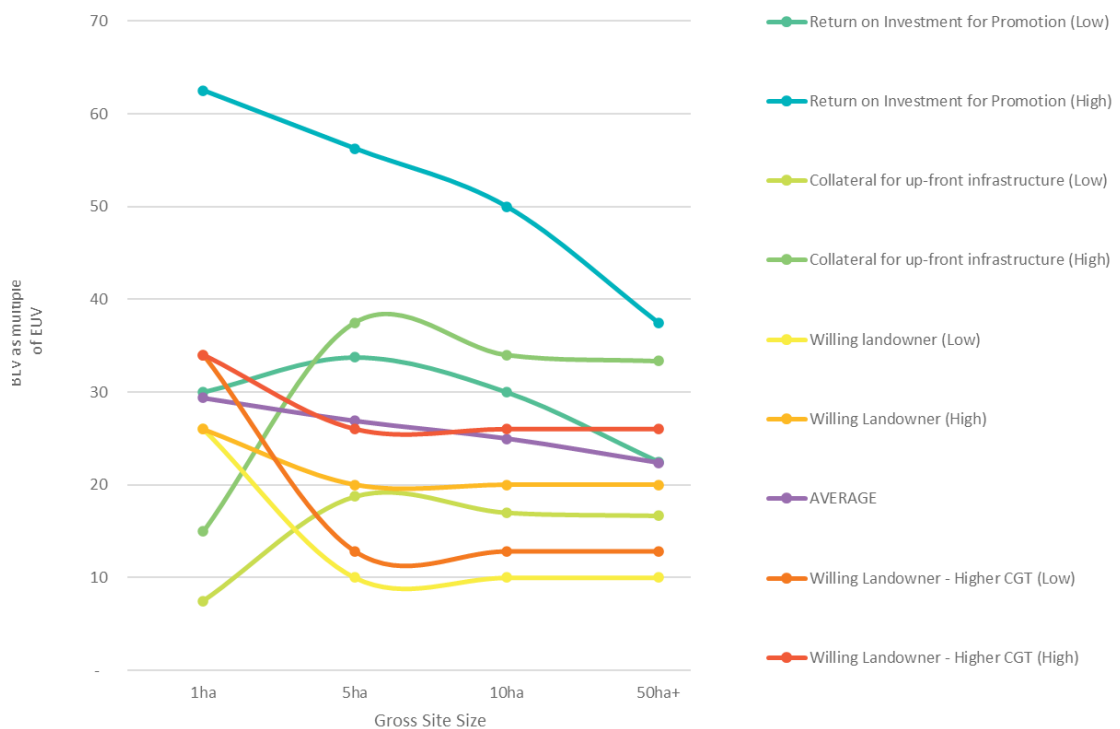
- 1 Identified four notional typologies of sites with gross areas of 1, 5, 10 and 50 hectares;
- 2 Derived net developable areas based on typical site ratios ranging from 0.4 (for sites of 50+ha) to 0.9 (for sites of one hectare) to which is applied a density of 40 dw/ha. This reflects that sites need to accommodate landscape/open space/bio-diversity net gain and infrastructure.
- 3 Developed two bookend scenarios (high and low) for applying our various assumptions;
- 4 Assumed promotion costs per hectare of £75,000 to £100,000 for a site of one hectare, ratcheting down to 60% of those costs per gross hectare as site sizes increase up to 50 hectares, with a rate of return for the promoter of between four and five times that cost. We then identified the necessary BLV to support that return if it were 40% of the total increase in land value achieved (and 50% for the small site of one hectare) albeit in many promotion agreements what is assumed is 10-15% of the uplift (which would necessitate an even higher uplift than we estimate);
- 5 Applied bookends for what a willing landowner would require to motivate them to sell their site to between 10 and 20 times EUV for sites of 5, 10 and 50 hectares, with a EUV+£500,000 for a site of one hectare;
- 6 Applied a capital gains tax rate of 24% to the uplift in land value after deducting 15% for the land promotion return to identify the net return to the landowner and then identified what the BLV would need to be for the landowner to achieve the same return if CGT applied at 45%;
- 7 Assumed that up-front costs per plot (not total infrastructure costs per plot) to service land of between £2,500 and £5,000 for sites of one hectare increasing in stages to



between £10,000 and £20,000 per plot for sites of 50 hectares and identified what the BLV would need to be to secure a loan at 60% LTV.

2.25 The outputs from this modelling exercise, which are to illustrate a concept, not to set what should be used for a BLV in any given area, show the BLV as a multiple of EUV (assumed to be £20,000 per hectare in all cases) for each driver of the BLV are shown in Figure 2 below.

Figure 2 BLV Levels



Source: Lichfields analysis

2.26 A data table for the analysis is at Appendix 1.

2.27 In theory, for a site to successfully come forward, one would assume that the BLV would need to be the highest of the three drivers of land value in any reasonable scenario for a site (either what justifies the promotion cost, secures an adequate return for the landowner after CGT to incentivise them releasing their asset, or to fund upfront infrastructure) as otherwise the site/project would not be either promoted, released or funded. In some of our notional scenarios for the smaller site examples, the combination of promotion return and what a willing landowner would require after CGT would suggest these sites would not in fact come forward, which probably goes some way to explain why there is a paucity of smaller sites allocated and coming forward, and why streamlining and de-risking planning for small sites is so important, particularly for SMEs.

2.28 The cost and value factors shaping the different elements of this calculation will clearly vary between sites, but setting a BLV to inform planning policy needs to account for a

representative mix of sites on which an area will sensibly rely to meet its housing needs. In this regard, our analysis of typologies shows that the different factors will typically suggest BLVs at least to the middle or upper end of the 10-40 times EUV range identified earlier and nothing remotely supports the idea of setting BLV at the lower end, let alone at just three times EUV. Even before considering landowner expectations, promotion costs are a very high proportion of the total costs for small sites, whilst up-front infrastructure can require significant collateral for larger sites. A crude average across our different drivers and the low and high bookends equates to a BLV of between 23 and 30, but it is obvious that circumstances could accumulate on a site to require a higher level.

### **3.0 Summary and conclusions**

3.1 Drawing from the preceding analysis, the following conclusions emerge:

- 1 It is unlikely that 50% affordable housing will be viable in most Green Belt LPAs under the current approach to viability. Although some locations - such as those with residential values of £4,000 or more per square metre (equivalent to 41% of the Green Belt) – might see 50% as being achievable on some sites, this will be the exception (particularly outside the South East – see Figure 1) and explains why the majority of LPAs even in the most prosperous markets set affordable housing requirements in local plans at no more than 40%. Although having an affordable housing premium for Green Belt is politically understandable, setting a flat national target at 50% is likely to mean viability testing is required on the majority of Green Belt and Grey Belt sites that might come forward, adding cost and uncertainty, especially for any applications or allocations that were made under existing (to be previous) NPPF policy.
- 2 Given the above, applying the proposed new approach immediately on adoption of the new NPPF would catch a number of live sites/applications where landowners, promoters and housebuilders agreed commercial terms in good faith based on current Local Plan affordable housing targets, and undermine their ability to come forward.
- 3 It would appear imprudent to set a national BLV for Green Belt sites, especially at the lower end of the 10-40 times EUV range, given the multiplicity of different factors influencing this value across different locations. Setting it nationally at a high level might mean it over-estimates the BLV in some places and sees less value capture. The Harman Review made clear that BLV was influenced by local factors, and this is reflected in the current PPG guidance on how LPAs should determine viability for their local plans, setting BLV locally in consultation with landowners, developers and other stakeholders.
- 4 There is no evidence to support the idea that reducing BLVs for Green Belt land below what would result from the approach generated by current PPG guidance to other comparable local land would be consistent with delivery. As it stands, in many areas it would not be willingly made available by landowners, be promoted, or produce fundable schemes at any scale if a lower BLVs are imposed for these reasons:
  - a Landowners are often reluctant sellers and take a long-term view which informs the value they demand. They will have in mind what their land is worth, taking into account that although Green Belt is a restrictive policy, there has been a persistent

flow of Green Belt land developed over past decades. In most cases, they will have to pay capital gains tax at 24% on any net receipts they receive after promotion costs are deducted, and there is speculation this may increase to 45%. Set the BLV too low and it will simply not be worthwhile for many owners causing a 'land strike'.

- b Land promotion is a necessary part of the planning system and it relies on the private sector investing in the lengthy and expensive process, spreading the risk across a portfolio of sites, reflecting that an implementable permission may or may not transpire, dependent on whether i) land is allocated in a plan (which may or may not be produced) and/or ii) a costly application is approved or refused by LPA. Taking into account the costs and risk, it is easy to see how land values may need to absorb costs of £100,000 or more per ha before the landowner's return and require BLVs that are 40 times EUV. An examination of why land promotion activity requires the rate of return it does, needs to look beyond simple planning approval rates at application or appeal, and consider the time it takes, and the extent to which much promotion activity does not even make it to the application stage.
  - c Developments require up-front funding at anything between £2,500 to £20,000 per dwelling (depending on the site, its size, location, abnormalities etc) to deliver infrastructure that services plots for building homes. The land value is often used as collateral to support loans at a 60% LTV to unlock the sites before income from house sales is forthcoming. Our modelling suggests this factor alone requires a BLV of up to 38 times EUV on sites of 5ha or more.
- 5 Although there is a theoretical role for the public sector to acquire sites – including through CPO – and then fund up-front infrastructure, this is not a feasible solution for bringing Green Belt land forward at necessary scale or timeframes, because:
- a The Government's goal of 1.5m homes by July 2029 is fundamentally dependent on sites being promoted ahead of local plans, often in areas where LPAs are at best ambivalent (and often hostile) to Green Belt development in the first place;
  - b It is simply inconceivable that the 180 LPAs with Green Belt across England or Homes England will – in the next five years – have either the resources or inclination to speculatively invest in acquiring multiple sites at EUV and then preparing and submitting multiple applications at any scale, particularly in areas where local residents are hostile to the idea of Green Belt development;
  - c Even through the local plan process - which might be relied upon for sites that deliver in the next parliament - the legal and policy obligations on plan makers rely on scores of alternative site options being available to support the testing of reasonable alternatives and for evidence to be available that demonstrates the ultimate deliverability of prospective allocations. This promotion activity – with all its costs – applies to every local plan cycle.
  - d There is not sufficient funding resources or administrative bandwidth – currently identified – for Government (itself, via Homes England, or through LPAs) to up-

front fund (or under-write) infrastructure investment at the scale required to bring forward new homes on multiple sites in every LPA.

This is not to diminish the prospect of the public sector unlocking specific large-scale new communities or unblocking stalled sites of strategic significance - through funding, CPO or good old-fashioned bashing together of heads - and this will have an important role. But the idea the state would in the future become the predominant promoter and deliverer of residential land is simply not plausible even were it considered desirable.

## **4.0 Recommendation**

4.1 Based on the above, it is recommended that:

- 1 Any Green Belt site should apply the same affordable housing policy requirement as the existing/emerging Local Plan requirement that would apply on any greenfield site as there is no real-world difference between the sites that would impact on its viability.
- 2 If an affordable housing premium for Green Belt is to be maintained (and the political rationale is understandable), this should be set in national policy at a level linked to the existing local percentage requirement from the most recent Local Plan, for example at five or ten percentage points above.
- 3 Viability assessments, where necessary, should be carried out based on the current approach to viability in the existing PPG including locally-set BLVs.
- 4 To ensure the new policy does not disrupt the flow of existing Green Belt sites, a transition arrangement should apply to exempt from any new 'golden rules':
  - a current planning applications submitted within a month of the publication of the new NPPF to allow for schemes that are currently submitted or were formulated (and commercial agreements formed) pursuant to existing national policy proceed; and
  - b applications submitted at any point on land that was allocated for development having been removed from the Green Belt in a local plan prepared pursuant to the existing NPPF.

## Data Appendix

The tables below present the headline figures from the analysis that informs the BLV figures reported above and shown in Figure 2. These are produced to illustrate concepts, rather than to demonstrate that any particular scenario is or is not consistent with a willing landowner or viable development. The scenarios are not interdependent.

Low Scenario		Gross Site Size (Ha)			
		1	5	10	50
Net developable Area		0.9	3.75	6	25
Number of Homes		36	150	240	1000
<b>Return on Investment for Promotion</b>					
Promotion Cost	£	75,000	337,500	600,000	2,250,000
Return on Promotion Cost	£	300,000	1,350,000	2,400,000	9,000,000
Return on Promotion Cost	£/ha	300,000	270,000	240,000	180,000
BLV necessary to fund promotion	£/ha	600,000	675,000	600,000	450,000
Multiple of EUV		30.0	33.8	30.0	22.5
<b>Collateral for up-front Infrastructure</b>					
Initial Enabling Cost	£	90,000	1,125,000	2,040,000	10,000,000
Cost per h/a	£/ha	90,000	225,000	204,000	200,000
Minimum BLV at 60% LTV	£/ha	150,000	375,000	340,000	333,333
Multiple of EUV		8	19	17	17
<b>Willing landowner</b>					
BLV	£	520,000	1,000,000	2,000,000	10,000,000
BLV	£/ha	520,000	200,000	200,000	200,000
Multiple of EUV		26	10	10	10
<b>Higher CGT</b>					
CGT (current)		102,000	183,600	367,200	1,836,000
CGT (future)		191,250	344,250	688,500	3,442,500
Net return to landowner at current CGT	£/ha	320,000	113,280	113,280	113,280
BLV to achieve net return at higher CGT	£/ha	679,818	255,964	255,964	255,964
Multiple of EUV		34	13	13	13

High Scenario		Gross Site Size			
		1	5	10	50
Net developable Area		0.9	3.8	6.0	25.0
Number of Homes		36	150	240	1,000
<b><u>Return on Investment for Promotion</u></b>					
Promotion Cost	£	100,000	450,000	800,000	3,000,000
Return on Promotion Cost	£	500,000	2,250,000	4,000,000	15,000,000
Return on Promotion Cost	£/ha	500,000	450,000	400,000	300,000
BLV necessary to fund promotion	£/ha	1,250,000	1,125,000	1,000,000	750,000
Multiple of EUV		62.5	56.3	50.0	37.5
<b><u>Collateral for up-front Infrastructure</u></b>					
Initial Enabling Cost	£	180,000	2,250,000	4,080,000	20,000,000
Minimum BLV at 60% LTV	£/ha	300,000	750,000	680,000	666,667
Multiple of EUV		15	38	34	33
<b><u>Willing landowner</u></b>					
BLV	£	520,000	2,000,000	4,000,000	20,000,000
BLV	£/ha	520,000	400,000	400,000	400,000
Multiple of EUV		26	20	20	20
<b><u>Higher CGT</u></b>					
CGT (current)	£	102,000	387,600	775,200	3,876,000
CGT (future)	£	191,250	794,250	1,588,500	7,942,500
Net return to landowner at current CGT	£/ha	320,000	242,480	242,480	242,480
BLV to achieve net return at higher CGT	£/ha	679,818	520,873	520,873	520,873
Multiple of EUV		34	26	26	26