

# Planning for the Future consultations

## Briefing for housing associations

### Summary

- We would like members' views on the proposals in the government's [Planning for the Future white paper](#) and on the accompanying consultation on proposed [changes to the current planning system](#).
- The white paper proposes comprehensive reform of planning, including the replacement of Section 106 contributions for affordable housing with a new levy system.
- The amendments to the current system proposed in the accompanying consultation would also have important and more immediate effects. The changes include an increase to the threshold above which developers must make affordable housing contributions, and ensuring that First Homes make up 25% of affordable housing delivered under Section 106.
- The NHF welcomes initiatives to make planning a simpler and more efficient process. We are concerned, however, that the combined proposals would reduce the contribution housing associations are able to make to affordable housing supply. The white paper also raises many important questions without offering clear answers.
- Our focus will be on influencing the outcomes and detail of these proposals to ensure that much-needed affordable housing is not lost and that housing associations' central role in delivering these is maintained.
- We have engaged extensively with ministers and officials and will continue to do so. Members' views on the potential impact of the proposals will be central to our response.

- This briefing summarises the key proposals in both the white paper and the shorter-term consultation, sets out the NHF’s initial view on these, explains how we will be engaging with the government to influence the proposals, and seeks members’ views.

## Planning for the Future white paper – key proposals

The planning white paper is the government’s attempt to fundamentally reform many aspects of the way England plans and delivers new development. It is founded in the government’s drive to reinvigorate home ownership, to deliver 300,000 homes per annum and boost development’s contribution to the economy and infrastructure.

The paper begins with familiar criticisms of the current system, including its excessive complexity, unpredictability, slowness, public mistrust and poor outcomes (particularly the number of homes built). This is contrasted with a vision of – amongst other things – a greater supply of land for housing where it’s most needed, a more diverse housebuilding sector with more small-medium firms delivering more “beautiful” development, and more meaningful community input at an earlier stage in the planning process.

Areas for reform are outlined under three ‘pillars’:

### Pillar One – Planning for development

Proposals focus on ensuring every area has a clearer, simpler and more up-to-date local plan, which would designate all land in one of three zones: growth, renewal or protected.

In the first two categories, there would be a stronger presumption in favour of development, with fewer grounds and less discretion for planning authorities to oppose individual proposals thereafter. Protected areas, including green belts, would not be subject to such a presumption – development proposals in these areas would be assessed on their individual merits, similar to the current system. This option would also be available for proposals in growth and renewal areas which did not meet the pre-set criteria for those zones.

All areas would be required to produce a new-style local plan within a 30-month timescale. The duty to cooperate on important cross-boundary issues, such as meeting

housing market demands, would be abolished (with “further consideration” to be given to strategic planning mechanisms). Neighbourhood planning would continue.

A revamped ‘standard method’ would be used to identify housing need, with the Housing Delivery Test retained to incentivise delivery.

As clarity on acceptable development types and locations is increased at the local plan stage, the scope for planning authorities to influence proposals thereafter would be reduced, with development management rationalised through national criteria.

There is a strong emphasis on digitisation throughout the proposals, including for greater and more effective community participation in the plan-making process.

## **Pillar Two – Planning for beautiful and sustainable places**

Proposals in this section draw heavily on the [recommendations of the Building Better, Building Beautiful Commission](#).

A national ‘model design code’ is promised this autumn, along with a revised Manual for Streets. These will be expected to guide local design standards and codes and an expert body is to be established to support these. Homes England’s objectives may be revised to include a stronger focus on design and beauty.

A proposed ‘fast track for beauty’ would be achieved through three routes: compliance with local design codes, site-specific masterplanning on large developments, and through modern interpretations of ‘pattern books’ which could apply to infill and densification schemes.

The focus on beauty and quality seems largely to be on outward appearance and does not extend to criteria such as space and accessibility standards. New buildings will be expected to be ‘zero-carbon ready’, guided by the outcomes of the Future Homes Standard process.

## **Pillar Three – Planning for infrastructure and connected places**

This section will be of greatest interest to many housing associations, particularly those who acquire most of their new homes through Section 106 agreements.

The paper recognises many of the shortcomings of the current Section 106 and Community Infrastructure Levy (CIL) mechanisms for capturing developer contributions, but it also reports recent research which found those mechanisms captured £7bn in 2018/19, £4.7bn of which was for affordable housing. The paper proposes replacing them with a simple “infrastructure levy”, which would be set nationally, applied to final development values above a minimum threshold, and payable at the end of the development process.

The levy would be applied across a wider range of developments and areas than is currently the case – even perhaps applying to Permitted Development schemes – and would aim to capture a large amount of land value uplift with less bureaucracy and complexity.

The proceeds of this levy would continue to be used for affordable housing and infrastructure – as at present. The paper states that “it is important that the reformed approach will continue to deliver onsite affordable housing at least at present levels” – although it also suggests local authorities would have more flexibility in how they manage contributions.

Local authorities would still be able to prioritise particular tenures and types of affordable homes for on-site provision, and to work with nominated registered providers (as often happens at present). It is less clear, however, whether contributions towards affordable housing would be as clearly ring-fenced as they are through Section 106 and whether affordable housing developments would be liable to contribute to the levy (they are currently exempted from CIL).

The paper acknowledges that development capture mechanisms are less effective in areas of lower land values (Section 106 provides less than half the share of new affordable housing in northern England than in the home counties around London) but does not identify a solution. Indeed, more development in lower value areas would fall below the threshold from which the levy is applied.

Beyond the three pillars, the paper recognises that local planning departments have been under great pressure in recent years due to reductions in staffing and skills. It proposes a “comprehensive resources and skills strategy” and that the future costs of operating the planning system should be more fully covered by its users, principally those pursuing development.

The consultation on the white paper closes on 29 October.

## Consultation on the current system: key proposals

Alongside the white paper, the government has also published a consultation on changes to the current planning system, which it believes would help the transition to a renewed system. The consultation proposes change in four important areas:

- Raising the threshold above which affordable housing contributions are expected through Section 106 contributions from (usually) 10 units to 40 or 50 units, for an initial period of 18 months<sup>1</sup>. The government's stated intention is to help smaller builders through post-pandemic economic challenges – but it also estimates this reform could reduce the number of affordable homes secured by up to 20%.
- 25% of remaining Section 106 homes would be required to be First Homes – a requirement the paper proposes carrying over to the new levy outlined in the white paper. The government's preference is that First Homes would directly displace other “affordable home ownership products” – usually meaning shared ownership homes.
- Revisions to the ‘standard method’ for calculating housing need, ensuring that over 300,000 homes per annum must be planned for. The changes would see an uplift in housing targets in all regions but most significantly in London and the South East.
- Extending the use of existing Permission in Principle powers to “major developments” over 10 homes.

The first two of these changes could reduce the stock of new affordable homes available to registered providers considerably. However, the impact would be much greater for housing associations that are more reliant on contributions from smaller developments and in areas which have fewer larger developments.

The consultation on changes to the current system closes on 1 October.

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<sup>1</sup> ‘Designated Rural Areas’ would be exempt from these changes – but these cover a minority of the rural population.

## The NHF's initial view

The importance attached to affordable housing in the white paper provides some reassurance that the government understands the importance of developer contributions in delivering affordable housing, and welcomes the fact that many positive aspects of the current system seem set to be retained. However, the white paper is more concerned with planning process than planning policy – and the direction of policy travel indicated in the consultation on proposed short-term changes is deeply concerning.

More broadly, there is a huge amount to digest in the new proposals and it is difficult to say whether the proposed changes will deliver on the affordable housing commitments that have been made. There is much that is promising but also many potential issues yet to emerge. The government should not underestimate the scale of work required, or the possibilities of unintended consequences – planning reform in general, and land value capture in particular, has a history of underwhelming outcomes.

For housing associations, with their long-term perspectives and overarching social purpose, topics of particular interest include:

### Changes to systems for capturing developer contributions

Likely to be the foremost issue for many, the proposed changes include welcome affirmations of the importance of affordable housing – but there is wide scope for outcomes to go either way.

Perhaps of most immediate concern, however, are not the process reforms of the white paper but the immediate policy changes proposed. By mandating that 25% of developer contributions must go to First Homes and raising the affordable housing threshold substantially, we face potential significant losses of new stock, particularly in rural areas and of shared ownership homes. Continuing these changes under the new system would have a significant long-term impact – reinforcing the need for a much more substantial programme of direct investment in social housing.

More positively, the white paper seeks to retain positive features of Section 106, including a high priority for affordable housing, preference for on-site delivery (expediting development and enabling mixed communities), and flexibility in the system to account for local priorities, such as tenure mix and local partnership arrangements.

Indeed, it states that on-site affordable housing delivery should be maintained or increased under the new system. We want to work closely with members and the government to ensure these stated intentions remain a priority and can be delivered in practice.

Conversely, the paper also suggests the possibility of looser links between contributions captured and affordable housing delivery. Hard-pressed local authorities could receive more developer contributions in cash and be less restricted in how it is spent.

It is unclear how nationally-set levies would accommodate local variation: it might be that in some places, the rate is too high (detering development), and in others too low (foregoing affordable housing and infrastructure contributions). Proper modelling is required to expose assumptions underpinning a belief that the new system would capture as much, or more, than the existing one. What would it mean for different forms of development and their expected contributions? These basic details need to be extensively explored to avoid the problems which have befallen previous attempts at capturing land value.

It is also unclear how site-specific infrastructure and mitigation would be realised under the new system. A Section 106 agreement captures contributions necessary for a specific development to proceed: the proposed levy would break this link and is unclear how site-specific measures would be enabled.

## **Changes to planning's role in the development process**

For housing associations pursuing land-led development, the white paper's proposals on improving coverage and clarity of local plans are welcome, as is the greater weight these should afford policy-compliant schemes which take advantage of a better supply of housing land. Likewise, better universal quality requirements should mean good developers are not undercut by those less concerned with building better and building beautifully.

These changes are more easily promised than delivered, however. There is much scope for unintended consequences in their implementation and we need to be mindful that they may be open to influence by lobby groups with a particular interest. It is also unclear what happens when local authorities do not put into place the plans, policies and rules required (such as appropriate allocations in each of the three zones), or when delivery fails to meet requirements. Whether for reasons of inability or unwillingness, that prospect seems very plausible given current experience.

## Basic preconditions for success

There is not yet a convincing answer to the lack of resources which undermine the current system and would hobble any reformed 'front loaded' system, however carefully designed. Many of the white paper's proposals rely on positive and effective delivery by local authorities – many of whom struggle with the resource and political pressures involved. The reform proposals do begin to address these issues but may not have grasped the scale of the challenges.

## How we'll respond – and how you can help

With so much at stake we need members' active support so that the sector's perspective is heard, understood and acted upon.

We have already had constructive engagement with officials during the development of the white paper. Members helped us identify, evidence and refine our priorities – which are recognised in the new paper. We have also engaged directly with the Secretary of State and Number 10 and made the case for affordable housing and members' priorities. We will continue to engage constructively, being clear about the risks and priorities for affordable housing while offering practical solutions where possible.

We will now focus on influencing the development of these proposals to deliver the right outcomes for affordable housing – not simply through written consultation submissions but through evidence-based, compelling arguments transmitted to a range of audiences through multiple channels.

We need your input to ensure we're reflecting the issues and priorities of the whole sector. We will be holding a member webinar to discuss the proposals in more depth, taking place on **25 August at 2pm**. We'll also be setting up smaller group conversations, in particular with smaller and rural providers, and also at our regular chief executive forums.

In the meantime, we are keen to hear members' views on all aspects of the proposals in the white paper and the consultation on changes to the current system. Please send your thoughts to Duncan Neish, Policy Officer, [Duncan.Neish@housing.org.uk](mailto:Duncan.Neish@housing.org.uk).