



Spatial Economics Research Centre

Tuesday, 18 October 2011

Planning Policy Roundtable

The consultation period for the government's draft National Planning Policy Framework ended yesterday. LSE London recently held a planning roundtable discussion of [15 academics](#) from a range of social science disciplines to discuss the reforms and try to clarify its objectives. While broadly agreeing with the objectives of the reform, the planning roundtable found that the incentives they provide may often not be enough to overcome local concerns and to reflect differing benefits in certain areas.

Our objectives

The reform of planning legislation and particularly its impact on housing has been an epic controversy for decades. At one extreme, many argue that planning is the core reason why so few homes have been built particularly since the 1990s. At the other, it is seen as saving our green and pleasant land from being overrun by sprawling and environmentally inefficient development. The current National Planning Policy Framework (NPPF) proposals by the coalition government have again brought these irreconcilable views to the fore and generated an aggressive debate based more on anecdote and attitude than evidence.

It was in this context that LSE London brought together some fifteen academics from a range of social science disciplines, mainly but not exclusively from LSE. The group included members with vastly different views along the spectrum set out above. The objective was not to build a consensus – this would have been impossible – but rather, given our different starting points, to clarify both the objectives of reform and the potential means of achieving these objectives. The discussion concentrated mainly on housing, but it was recognised that many of the issues relate as much to other forms of development – with equally important implications for economic growth and social welfare.

There were three main areas of consensus, which were around:

1. The starting point – the problem and the need for change
2. Objectives of the government reforms
3. Elements of the reform process

The starting point

There was clear agreement that there *is* a problem for at least 30 per cent of households, who have low or modest incomes and need more reasonably priced housing.

The whole housing market is too tight and the housing balance is getting worse with declining output. The Barker Review of Housing Supply showed long-term relative house price increases against our international competitors. Employers regard housing costs as one of the most important constraints on new building and investment – at all levels, not just for the 40 per cent on the lowest incomes.

The source of the problem is far more than just tight planning legislation. But it is an important part of the story – and we can move forward without full consensus on all the reasons.

We *are* in favour of change – the top-down system did not work well and inhibited valuable development. It is fundamental that decisions should reflect local wishes. The proposals on the table are more positive – and make a strong case for the development of local plans within the NPPF.

Government reforms

Those who took part in the LSE exercise want broadly the same thing from government reforms: to increase housing supply and economic activity, while balancing other social and environmental objectives. To achieve this it is necessary to address market failures in the allocation and use of land. The most important of these failures relate to spatial and intergenerational externalities – i.e., the costs and benefits to those not directly involved in decisions. The main objective of planning constraints should be to offset these failures.

The core objective is therefore to support development in places where the benefits to individuals and the economy outweigh the costs. Decisions should be based on benefit-cost analysis of a wide range of impacts rather than simply based on designation.

As we have already stated, housing should be a local decision – but there must be incentives to develop because any negative impacts of development usually affect the local community while benefits are more widespread. These incentives should ideally reflect the extent of pressure for increased housing and other development – i.e., the benefit to the economy of enabling that development to take place. The [local government Resource Review](#) and the [New Homes Bonus](#) both move towards providing such incentives and are therefore steps in the right direction.

Local decision-making should be based on effective local plans that reflect the identified, evidence-based needs of communities. Within these clearly defined plans, we agree that the system needs to be more permissive than it has been since the early 1990s. In other words there should indeed be a presumption in favour of sustainable development based on benefit-cost analysis.

There are many myths that are being repeated as part of the debate – in particular, there have been some exaggerated estimates of how much land

might be affected by increasing development, which have led some to question whether England can remain 'green and pleasant'. But this reform should not be seen as a move towards a US-style sprawl model. Rather it involves identifying areas where additional housing and development more generally is required and can be achieved while taking careful account of losses in amenity value.

There are also myths about the relative costs of development on both green and brownfield sites in both directions—again, evidence-based decisions should take full account of both direct and indirect costs and benefits. This requires the use of an accepted and consistently applied methodology for assessment.

The main concern about the current proposals must be that the incentives are not enough to overcome local concerns and to reflect differential benefit. Indeed in some cases the New Homes Bonus could produce perverse results because it is defined in terms of numbers. So it may prove easier to build in areas where there are relatively low costs to the community – but the benefits of development are equally limited.

Linked to this is the issue of who benefits from the incentives. The money flows to the local authority, although it is intended that this should generate compensation at the neighbourhood level. But even if this does happen in the end, there will be long delays – and reasonable concerns that communities in the immediate vicinity of developments will suffer in the short to medium term while benefits will be spread more widely. The proposal is a lot better than the current system of no such compensation – but it could mean less development especially in richer areas.

The reform process

Our most immediate concern is that the government's planning reform proposals are unclear. Brevity is not the same as clarity and at the moment the NPPF only achieves the first. The core positive messages could easily get mired in confusion/legal challenge, which will lose the impetus for change. In particular, there is no adequate definition of many important terms, notably the presumption in favour of development, sustainability in the context of land use, the lack of a completed local plan and the requirement to consult with neighbouring authorities. A great deal of ill-informed debate has been generated, often based on anecdote or intuition unrelated to the objectives and processes of the NPPF. This means that many of the positive aspects are likely to be lost – or held up for years.

There is also a concern that, if there is not more clarity, a Secretary of State with different objectives would be able to use the system in very different ways than currently envisaged. Ideally the approach would be piloted in a range of different areas. However this would almost certainly slow the process of change and let the once-in-a-lifetime opportunity slip. Implementation must therefore be carefully monitored across a range of localities to clarify process, outputs and outcomes.

Another important issue which remains unclear is how cross-boundary relationships are expected to operate – particularly at the city-region level. This is also an area where incentives are likely to be necessary to encourage more effective collaborative actions which take careful account of necessary mobility.

What is needed now?

1. A clearer statement of the objectives of the planning reform
2. An agreed factual background about the existing development of urban, rural and suburban settlements
3. More concrete language about what local authorities need to do to make local plans that are consistent with the NPPF and robust to appeal.
4. Similarly concrete proposals about how to incentivise brownfield/greenfield decisions to take account of both direct and indirect costs and benefits
5. An agreed pro-forma for assessing sustainability (i.e., costs and benefits of particular developments)
6. Greater clarity on how the incentive payments provided by the New Homes Bonus and non-domestic rates can be used to ensure that neighbourhoods which see developments benefit directly from the incentive payments
7. A real-time review of how these incentives are operating on the ground to generate housing required
8. A commitment to use the evidence of this monitoring to fine-tune reform over time
9. Development of incentives for city-regions and other groups of authorities to work collaboratively

The issue will remain controversial, but a war between extremes cannot lead to good decisions. However, there is a general acceptance of the need for additional housing as well as of the need for a more nuanced approach to the use of land. A better understanding of the reality of existing urban and rural settlements, coupled with wider benefit-cost analysis should deliver better decision-making.

The planning roundtable

- **Michael Ball**, University of Reading; Centre for Real Estate Research; International Centre for Housing and Urban Economics
- **Kate Barker**, Author of 'Housing Supply Review'
- **Paul Cheshire**, LSE Department of Geography & Environment; SERC; European Institute; Greater London Group
- **Alan Evans**, University of Reading, Centre for Spatial and Real Estate Economics
- **Melissa Fernandez**, LSE London
- **Ian Gordon**, LSE Department of Geography & Environment; SERC; LSE London
- **Nancy Holman**, LSE Department of Geography & Environment; LSE London
- **Tim Leunig**, LSE Department of Economic History; SERC
- **Alan Mace**, LSE Department of Geography & Environment
- **Geoff Meen**, University of Reading; Centre for Spatial and Real Estate Economics; International Centre for Housing and Urban Economics
- **Sarah Monk**, Cambridge Centre for Housing and Planning Research
- **Henry Overman**, LSE Department of Geography & Environment; SERC
- **Anne Power**, LSE Social Policy Department; LSE Housing and Communities; STICERD; CASE
- **Kathleen Scanlon**, LSE London
- **Phillipp Rode**, LSE Cities
- **Fran Tonkiss**, LSE Cities Programme; Sociology Department

- [Tony Travers](#), LSE Government Department; LSE London
- [Christine Whitehead](#), LSE Department of Economics; LSE London

[This post first appeared on the LSE's [British Politics and Policy blog on 17th October](#); Follow them on twitter [@LSEpoliticsblog](#)]

Posted by [Prof Henry G. Overman](#) on [Tuesday, October 18, 2011](#).

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