

LGA On the Day Briefing

Response to Government Housing and Growth announcement

6th September 2012



Local Government Association (LGA) response

The planning system is undeniably playing its role in promoting growth and Councils are overwhelming saying 'yes' to much needed housing development and economic growth. Removing affordable housing requirements will not make it easier for developers to sell houses more cheaply, and so will not address the underlying wider economic issues that are stalling development

The stalled economy is stifling demand and much needed development is being held up because buyers can't buy and developers can't sell. The number one priority has to be improving access to mortgages and finance for development. The Government's stimulus package for house building and support for first time buyers recognises that.

Councils have a strong track record in using the planning system to bring forward much needed homes and development, hitting a ten year high last year for the proportion of residential applications accepted. This trend has looked even more promising since the implementation of the National Planning Policy Framework¹. There is a building backlog of 400,000 homes with planning permission that haven't yet been built. That's an estimated three and a quarter years worth of housebuilding² which demonstrates clearly that planning is not the problem.

Development is held up by buyers' inability to buy at current prices, and developers' inability to sell at less than current prices. Changes to the Section 106 system for developer contributions to housing related infrastructure will not make it easier for developers to sell houses more cheaply, so will not help. The wider market issues relate to demand and access to mortgage and development finance.

Detailed analysis

1. Increasing investment in the private rented sector

- £200 million investment to encourage institutional investment in the private rented sector.

¹ <http://www.glenigan.com/construction-market-analysis/news/telegraph-exclusive-2000-new-building-projects-approved-every>

² The estimated three and a quarter years worth of units that could be constructed is calculated by taking the total number of unimplemented planning permissions on 31 December 2011 (399,816) and dividing by data from the most recent CLG housing statistics (see table 209: http://www.local.gov.uk/web/guest/research-housing/-/journal_content/56/10171/3700057/ARTICLE-TEMPLATE)

- A new taskforce to bring together developers, management bodies and institutional investors to broker deals regarding private rental homes.
- A government guarantee scheme worth up to £10bn which will enable developers to raise debt with a government guarantee where they commit to investing in additional new-build rented homes.

LGA response

The private rented sector has a key role to play in providing new homes and it is helpful that the government is providing funding to encourage institutional investment in this area.

New rented homes are needed both in the market rent and affordable sectors and councils will seek to ensure more homes are available in both parts of the market.

2. Affordable Homes

- Through an overall investment of £300 million the government will invite bids to provide an additional 15,000 affordable homes through the use of loan guarantees, asset management and capital funding.
- In addition there will be an extension of the refurbishment programme to bring additional 5,000 existing empty homes back into use.

LGA response

Demand for affordable homes is growing: councils' waiting lists now stand at 1.84m households in 2011³ and the number of extra units envisaged by the government needs to be set in that context and in concert with the announcements which may see crucial affordable housing removed through amended Section 106 agreements.

It is crucial that this funding is deployed quickly to allow investment in badly needed affordable homes. The quickest way to do this is to devolve it to local authorities who can work quickly with developers, housing providers and directly to deliver bricks on the ground.

S106 agreements also deliver wide ranging crucial infrastructure. Reconsideration of affordable housing elements of S106 raises questions about the relative importance of affordable housing in comparison to the other things that Section 106 pays for⁴.

It is helpful that the government is extending its focus on bringing empty homes back into use. Councils play a crucial role in making the refurbishment schemes proposed a success and should be eligible to participate and play a key role in the delivery of this programme.

3. First Time Buyers

³<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/rents/lettings/livatables/>

⁴ affordable housing, education, highways and transport (roads and access etc), community facilities (Healthcare Libraries Sport & Leisure Facilities, facilities for Local Community Groups and Young People etc) employment and training measures, town centre and regeneration initiatives, open space and public realm

- An additional £280 million to extend the First Buy scheme to March 2014.

LGA Response

- The extension of the First Buy Scheme is helpful. This must be viewed against the significant challenges to get on the property ladder, for example the average deposit for a first-time buyer is over £26,000, doubling since 2007 in a period when the average first time buyer income has declined⁵.

4. Large Housing Schemes

- An Industry led group will look at barriers to the growth of off site construction.
- Government will work with local authorities, scheme promoters and communities to accelerate delivery of major housing sites.

LGA Response

It is helpful that the government is considering measures to kick start the construction industry in the round. However, the fundamental barrier is access to development and mortgage finance.

We have significant concerns about accountability and certainty for players within the system if ministers wish to make the infrastructure regime discretionary at its boundaries.

5. Public Sector Land

- The Homes and Communities Agency (HCA) will play a stronger role to release public sector land through a targeted programme of transfers.

LGA Response

It is helpful that the government is moving to a coordinated mechanism to accelerate the release of its land holdings. It is crucial that local authorities are closely involved in discussions concerning the release and use of land so that the public sector estate as a whole can be used to best effect.

6. Reducing planning delays

- Legislation will allow applications to be decided by the planning inspectorate in cases of poor performance in the speed or quality of the decision.
- More transparent reporting of council performance on planning including increasing the use of Planning Performance Agreements.
- Consultation to be launched to speed up planning appeals and a fast track process for small commercial appeals.
- Extension of the measure that allow developers the chance to seek additional time to progress sites before permission expires.

LGA Response

There is a paradox in suggesting that the government's Planning

⁵ <http://www.cml.org.uk/cml/publications/newsandviews/104?complete=true>

Inspectorate (PINs) should intervene to speed up some council decisions and simultaneously announcing that PINS' own appeals process is too slow.

Councils currently decide 82% of applications within 8 weeks and 93% within 13 weeks. At the same time council budgets have been cut by at least 28% in real terms over the course of the spending review. Importantly, planning fees are capped at less than the cost of providing the service.

It makes more sense to prioritise proper funding for swift decisions than expanding a quango to run appeals and take away decision making from democratically elected councillors and communities and increase the cost of appeals. We would query the current capacity of the PINS quango to be able to undertake this role currently in a way that speeds up decision making overall. We are seeking clarification from government on the performance targets they are considering.

Councils are already using the planning system effectively to bring forward much needed growth. Last year councils hit a ten year high in the percentage of applications approved for all types of development (with 87 per cent of applications receiving approval)⁶. In 2011/12 this equated to an estimated 2,536 residential schemes granted planning permission⁷. There are an estimated three and a quarter years worth of homes in unimplemented units, based on the number of completed dwellings in England and Wales in 2011/12⁸. This shows local authorities are overwhelmingly saying 'yes' to viable and sustainable residential development through the planning system.

It is important that measures which will see the PINs quango prioritise all major and housing related appeals does not divert limited capacity away from their role examining local plans.

It is helpful that the government has responded to LGA campaigning to extend the flexibility to ensure that planning applications that are due to expire can be extended quickly and easily.

7. Reducing red tape

- Legislation to allow developers to appeal to the planning inspectorate to review sites which they consider are unviable due to affordable home requirements. The planning inspectorate would have the power to remove affordable housing requirements from the existing agreement and set it aside for 3 years in favour of a new agreement.
- There will be a review of local and national standards.

⁶ www.communities.gov.uk/planningandbuilding/planningbuilding/planningstatistics/livetables/livetablesondevelopmentcontrolst/

⁷ Taken from Glenigan research, commissioned by the LGA 'An analysis of unimplemented planning permissions for residential dwellings'

⁸ The estimated three and a quarter years worth of units that could be constructed is calculated by taking the total number of unimplemented planning permissions on 31 December 2011 (399,816) and dividing by data from the most recent CLG housing statistics (see table 209: <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsbyhousebuilding/livetables/>) for permanent dwellings completed in England and Wales in 2011/12 (123,770 units)

LGA response

Development is held up by buyers' inability to buy at current prices, and developers' inability to sell at less than current prices. Changes to Section 106 will not make it easier for developers to sell houses more cheaply, so will not help. The wider market issues relate to demand and access to mortgage and development finance.

Nor can it be assumed that it is affordable housing that is causing the problem in unlocking stalled sites. Registered providers are working closely with developers to make this section of the development viable. Building market housing at a cost people can afford (and access mortgages for) which also deliver an acceptable rate of return for the developer is the crucial issue which needs to be addressed.

Any perception that councils are asking for unaffordable 'nice to have's' through planning which in these difficult times is rendering development unviable is wrong. In addition to much needed affordable housing, Section 106 agreements also fund roads, street lights, new schools, and other facilities needed to support new development, access jobs and unlock further economic activity.

Councils set local policies for S106 agreements which are based on statutory tests that the obligations should be reasonable, necessary and related to the development – they must be convinced that the development should not receive planning permission if the conditions are not met.

Councils are being flexible and, where appropriate, have renegotiated some deals which would otherwise have stalled. Those local renegotiations are the best way of sorting out problems where developers are in difficulty.

When using the new proposals to seek the removal of crucial affordable housing, developers will need to be open and transparent about profit margins and viability.

Bristol City Council regard Finzel's Reach (a £200 million mixed-use development site in central Bristol), as a high quality regeneration scheme. Within this context, Bristol negotiated a revised section 106 package that met some, although not all, of the demands put forward by the developer. Broadly, the council agreed to reduce the section 106 package by around a third (£4.5 million).

Walsall Council has an established process for S106 proposals that are deemed by the applicant to render the development unviable. This includes recourse to independent financial appraisal (at the applicants cost). This appraisal in addition to the planning case officers views are then presented to the planning committee for further deliberation and decision.

Eastleigh Borough Council has worked with developers to offer a "guaranteed purchase" model for those developers who had sites with existing planning permission but were unsure if they could sell the houses so development had stalled. The council offered to act as a purchaser of last resort if the developers could not sell them. The developers then went ahead

and built new homes. So far the council has not had to buy any new stock. It will rent out any it does purchase at a discounted rate.

There is also a danger that removing benefits will make communities more reluctant to give consent to development in future, as they'll have less trust in promises from developers. The Government has to be careful to avoid creating a situation which could mire future planning decisions in acrimonious challenges and judicial reviews which could slow the planning approval process.

These proposals are intended to be taken forward via legislation to be put in place early in 2013. There is a clear risk that this may delay developments being brought forward or implemented until the new regime is in place.

8. Supporting locally led development

- Local plans put forward which are considering revising their Green Belt will be prioritised for Local Plan examination.
- Further consideration of the use of call in powers

LGA response

Suitable land is a scarce resource in some areas of the country and it is right that any decision over the revision of Green Belt designation should be taken forward through the local plan process which ensures that local people are provided with an opportunity to have a say over development in their area. It would speed up the process even more if there was a leaner planning process for local plan preparation.

9. Helping home owners improve their homes and bringing empty properties back into use

- Consultation on relaxing permitted development rights for extensions to homes and business premises in non protected areas for three years.
- Change of use from commercial to residential purposes will now become permitted development.

LGA Response

Councils have a strong track record in dealing with planning applications quickly and efficiently. Over 70% of minor applications are decided by councils within an 8 week timescale.

Any amendments to local planning rules must ensure councils retain enough powers to maintain and improve the character and integrity of local areas for the benefit of business and communities. Consideration of these issues is central in democratically elected councillors' minds when considering these applications under the existing system. The LGA will be seeking further clarification from government on this issue and will provide further details in due course.