

# Budget and national Productivity Plan: housing and planning announcements

July 2015



Government made a number of announcements on housing and planning in the Summer Budget on 8<sup>th</sup> July and the associated Productivity plan 'Fixing the foundations: creating a more prosperous nation' on 10<sup>th</sup> July<sup>1</sup>. The LGA's briefing on the Budget can be found [here](#).

This briefing outlines the announcements related to housing and planning and the LGA's view.

## Key messages

- The country needs an additional 230,000 homes per year to keep up with the number of new households and the new Government has pledged to deliver 275,000 affordable homes by 2020. This is only achievable if councils play a full part in delivery through partnerships and by building on their own account. The private sector will not alone deliver on the scale required.
- The Government should ensure that local authorities are able to support house building by providing a local and stable planning system, devolving housing funding, allowing councils to keep money raised through their assets and by freeing up public sector land.
- Tackling the housing deficit will require an increase in supply across all tenures. Councils are supportive of measures that increase home ownership but there is also a need to provide homes for affordable and social rent.
- Investing in affordable housing for low wage earners and those on social housing waiting lists can help reduce the £24 billion annual housing benefit bill; boost employment in the construction industry; support local economies; reduce the £2.5 billion cost of poor quality housing to the NHS.
- Centrally imposed exemptions to affordable housing and infrastructure contributions undermine councils' abilities to ensure new development benefits their communities. National exemptions should be replaced with a more flexible system that allows councils to reflect local market conditions and agree contributions with developers at an early stage so that viability concerns are addressed and lengthy negotiations avoided

# Briefing

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<sup>1</sup> Further information in [Summer Budget 2015](#) and [Fixing the Foundations: Creating a more prosperous nation](#)

## Housing

- The Government will **reduce rents paid by tenants in social housing in England by 1 per cent a year for 4 years from 2016.**

### LGA view:

Long term certainty on social rents is crucial to enable councils and Housing Associations to invest in housing over the long term. In 2013 the Government acknowledged this by setting out the rent strategy to 2025. These subsequent changes to social housing rents will mean councils and Housing Associations will need to review their investment plans and may reduce their ability to invest in new homes and the improvement of existing ones over the longer term. We will be working with councils to understand the impact of this change.

- **Social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England, will be required to “Pay to Stay”,** by paying a market or near market rent for their accommodation.

### LGA view:

Local authorities welcome the principal of any additional powers to set differential rent levels based on local circumstances and housing markets, these must remain affordable for those in work but on a low income.

Councils, like Housing Associations, should be able to retain the additional income generated from these rents to build new homes. This would have far greater benefits for local communities than the money going to the Treasury. This is important in light of the reductions in social rents that have also been announced in the Budget.

- The Government will **review the use of lifetime tenancies in social housing to limit their use** and ensure that households are offered tenancies that match their needs and make best use of the social housing stock.

### LGA view:

Any decision on lifetime tenancies should be made locally, so that councils have flexibility to meet local housing needs.

- The government reaffirmed its commitment to delivering 200,000 Starter Homes (by 2020 and at a 20% discount to first time buyers) through a broader approach to delivery. This includes extending the current exception site policy and bringing forward proposals to ensure every reasonably sized housing site includes a proportion of Starter Homes. Local authorities will also be required to plan proactively for the delivery of Starter Homes.

### LGA view:

Councils support measures to increase homeownership but this must not come at the expense of affordable homes for people who cannot afford to buy. We will work with government to understand the detail of this policy and ensure that councils have the flexibility to deliver the sort of homes their communities need

- The government will take further steps to **re-focus Department for Communities and Local Government (DCLG) budgets, focussing on supporting low cost home ownership for first time buyers.**

**LGA view:**

We will be seeking clarification from DCLG on the extent to which the government will prioritise home ownership over other tenures, as such measures would have an impact on councils' local housing strategies and provision of affordable housing for those who need it..

- The government reaffirmed its commitment to extending right to buy to the tenants of housing associations through a new Housing Bill. It has also restated that councils with housing stock will be required to sell their most valuable homes and use the receipts to fund investment in new homes.

**LGA view:**

Councils are ambitious to increase housebuilding across all tenures and support measures to help people into home ownership. At the same time we still have to deliver affordable housing for future generations and those already on waiting lists. We will work with government on how these proposals could be funded without any unintended consequences on councils' ability to invest, and ensure communities include a mix of homes.

- The Budget **commits a further £6 million to the One Public Estate programme** to continue to deliver progress and ensure local government rationalises its estate to contribute to growth and ensure efficient use of public assets.

**LGA view:**

Councils have shown that they are perfectly placed to deliver effective cross public sector asset management through the One Public Estate. The Programme is ensuring the integration of services and local economic growth, and also supporting more sustainable local government.

The Government should go further and implement its manifesto commitment to give councils a 10 per cent stake in public land deals in their area. Combined with giving councils a Power to Direct the use of surplus public land in their area, this would unlock many thousands more homes and jobs as well as saving councils and central government money.

**Planning**

- Where councils **do not have a local plan in place by a set deadline (to be determined by summer recess), the Secretary of State will intervene**, to arrange for local plans to be written, in consultation with local people.
- The government will bring forward proposals to **significantly streamline the length and process of local plans**, helping to speed up the process of implementing or amending a plan.
- The government will **strengthen guidance to improve the operation of the duty to cooperate** on key housing and planning issues

**LGA view:**

Councils have made considerable progress with plan making and over 80% now have plans in place. Getting plans in place requires significant time and effort and we look forward to working with government on how the process could be simplified. It is crucial that plans are developed with the full

involvement of local communities.

The current legal and policy framework already puts in place requirements to support ongoing engagement and cooperation to plan strategically for housing need. Whilst joint working and cooperation is rarely straightforward it is the most effective approach to secure community acceptance through locally democratic decision making whilst ensuring planning takes place at an appropriate spatial level.

- The government will legislate to **grant automatic permission in principle on brownfield sites identified on the statutory register of brownfield land** suitable for housing. This will be subject to the approval of a limited number of technical details.
- The government will also **bring forward proposals to make the compulsory purchase regime clearer, fairer and faster** as outlined in the consultation earlier in the year. They are also **considering additional compulsory purchase reforms to further modernise the system**, and will bring forward proposals in the autumn.

#### **LGA view:**

Planning is not holding up development on brownfield sites, it is more often than not the cost of remediation and infrastructure. Councils want to see brownfield sites developed and many of these new measures will help with that, such as stronger compulsory purchase order powers to help councils take on sites stuck in the system. The LGA has also suggested measures such as devolution of funding for housing and infrastructure and introducing a sequential test for brownfield land, which would make sure developers prioritise brownfield sites

However, it is important that that the planning system remains proportionate and that local communities continue to have a say. Planning controls exist to ensure developments are of benefit to local communities. Councils and their planning committees are rightly central to that locally accountable democratic process, allowing local people to have an influence over the changing shape of their neighbourhoods.

- The government will also bring forward a number of other measures on planning including:
  - legislation to allow **major infrastructure projects with an element of housing to apply through the Nationally Significant Infrastructure Regime (NSIP)**
  - tightening the planning performance regime, so that **local authorities making 50% or fewer of decisions on time are at risk of designation**
  - legislation to **extend the performance regime to minor applications**, so that local authorities who do not meet a national performance target are at risk of designation
  - introducing a **fast-track certificate process for establishing the principle of development** for minor development proposals
  - introducing a **dispute resolution mechanism for section 106 agreements**

#### **LGA view:**

Councils are committed to delivering fast and effective planning services but need to be able to resource them properly. Currently, tax payers are subsidising 32% of the estimated cost of processing all planning applications because nationally set planning fees do not fully cover the costs. The introduction of locally-set planning fees would ensure effective and

responsive council planning services that are crucial to growth and building the homes we need.

The planning performance regime is an unnecessary narrow measure which focuses on arbitrary process targets rather than good quality service provision. A sector-led approach such as that provided by the Planning Advisory Service (PAS) through the Planning Quality Framework is a far more effective means of driving improvement.

We are pleased that the government has committed to take forward the proposals we have developed with the sector and the development industry on a fast-track process for minor development.

We do not support the proposals for a national dispute resolution process for section 106 agreements. Firstly, Section 106 agreements are a means of meeting policy requirements of the local plan and are central to the assessment of the acceptability of the development proposal as a whole and should not be considered through a separate process. Secondly, it would remove democratic local accountability and undermine public confidence in the planning system. Strengthening requirements for the upfront negotiation of S106 agreements would be a more effective means of avoiding delays than offering an alternative route for resolution.

## **Fracking**

- The government will bring forward proposals for a sovereign wealth fund for communities that host shale gas development.

### **LGA view:**

Any sovereign wealth fund set up should not be treated as an ordinary tax revenue for day-to-day financing of council services.

Communities that host fracking developments should also receive benefits on a par with those in other countries. This should be set at 10 per cent of gross revenues and managed at the level of the consenting planning authority. Local government has a central role to play in ensuring the governance arrangements reflect community preferences and offer accountability and should be involved in designing schemes in their areas.