

Building out extant planning permissions

House of Commons

30 October 2019



KEY MESSAGES

- Councils are using planning effectively to deliver the right kind of homes for their communities. Councils approve nine in ten planning applications and last year worked with developers to permission over 350,000 homes, an 11-year high.
- The LGA has called for greater attention to be given to the delays in the delivery of sites that have been granted planning permission and for councils to have greater powers to act where housebuilding has stalled. Developers currently have 423,000 homes with permission that they are still to build.ⁱ
- The Government is set to bring forward an Accelerated Planning Green Paper. This should include measures to ensure the build out of sites with permission. This could be achieved through having more powers to direct the diversification of products within sites, and a streamlined Compulsory Purchase Order process. Consideration should also be given to introduction of financial penalties to incentivise build out rates, for example council tax charges on developers who do not build out to the rate agreed with a local planning authority.
- The LGA strongly advocates a local plan-led system. However, it should be made quicker and easier to get local plans in place, thereby providing greater certainty to councils, developers and communities, and speeding the delivery of new homes.
- A proactive, well-resourced planning system could do far more to deliver the additional homes the country desperately needs. Planning departments are currently severely under-funded and taxpayers are subsidising the costs of planning applications by around £200 million a year.ⁱⁱ Our #CouncilsCan campaign is calling on the Government to give local authorities the funding and flexibilities to play a full role in housing provision.

Briefing

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BACKGROUND INFORMATION

Planning

Councils are working hard to use planning effectively to deliver the right kind of homes for their communities. Councils approve nine in ten planning applications and last year worked with developers to permission over 350,000 homes, an 11-year high. Developers currently have 423,000 homes with permission that they are still to build.ⁱⁱⁱ

Despite the hard work of councils, planning departments are severely underfunded. Taxpayers are currently subsidising the costs of planning applications by around £200 million a year.^{iv} A proactive, well-resourced planning system could do far more to deliver the additional homes the country desperately needs. It could also help to deliver them in ways that meet wider national objectives on infrastructure, public health and the environment.

It is essential that councils and their communities are empowered to not just to deliver additional homes, but to ensure they are built in the right places with the health and wellbeing of their communities in mind. This means giving residents access to: local public transport; employment and leisure; green spaces and essential services.

The Government must end national policies that undermine the local voice of councils and communities in the planning system. Delivering new social and affordable rented homes at scale will only be achievable if all parts of the housing and planning system are properly resourced and incentivised.

Our recommendations for increasing delivery of affordable housing through the planning system are:

- Reform developer contributions and amend the 1961 Land Compensation Act to enable increased capture of land value uplift. Developers continue to use uncertainty in the planning system to reduce affordable housing contributions via section 106 agreements. The Government must ensure planning guidance sufficiently equips councils with the tools to ensure developers deliver levels of new social homes set out in local planning policy. Beyond that it should explore how establishing a single, robust national viability system can deliver the number of new social housing needed in local markets.^v
- Remove all national prescriptions that limit the capacity to deliver the social housing needed in local markets. Councils are required to plan for local need but are then often prevented from meeting it by national policy requirements. This is especially true for the supply of social housing. In particular, the Government must remove the requirement for 10 per cent of new sites to be homes for low cost home ownership. It must also remove the exemption for developments of 10 units (or fewer or that were smaller than 1,000 square metres) from section 106 affordable housing contributions.
- End permitted development rights for residential conversions. The Government's decision to allow conversions from offices to residential units without having to go through planning is creating a vast range of issues for local places and communities. In particular, conversions are exempt from section 106 affordable housing contributions. Since 2015, a total of 42,130 housing units have been converted from offices to flats,

meaning the potential loss of more than 10,000 affordable homes. The Government must end permitted development and ensure conversions go through the local planning system so councils can ensure the provision of good quality new social homes.^{vi}

- Allow councils to set planning fees locally. Between 2010-11 and 2017-18 there was a 37.9 per cent fall in net current expenditure on planning functions. Planning departments are not able to cover their running costs through the national fees set by the Government.^{vii} This significantly reduces their capacity to ensure the delivery of new housing through the planning process and their capacity to proactively enable the new supply of housing.

Unimplemented planning permissions

The LGA has called for greater attention to be given to the delays in the delivery of sites that have been granted planning permission and for councils to have greater powers to act where housebuilding has stalled.

LGA analysis published in 2018 found that in 2015/16, the number of homes with unimplemented planning permissions in England and Wales had risen to over 420,000.^{viii} It also showed that developers are also taking eight months longer to build new homes, up from 32 months in 2013/14 to 40 months in 2015/16.

The Government is set to bring forward an Accelerated Planning Green Paper. This should include measures to ensure the build out of sites with permission. This could be achieved through having more powers to direct the diversification of products within sites, and a streamlined Compulsory Purchase Order process. Consideration should also be given to introduction of financial penalties to incentivise build out rates, for example council tax charges on developers who do not build out to the rate agreed with a local planning authority.

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Housing delivery

Outside of the planning system, there are other steps that could be taken to encourage housing delivery and tackle the housing crisis. Councils are keen to resume their role as a historic builder of affordable homes. The Government's latest figures show that councils in England directly built 2,560 homes in 2018/19. This is the highest number built by local authorities since 1992/3 when they built 2,580 homes.^{ix}

Despite substantial constraints in recent years, councils have been working hard to build new homes with the right infrastructure. A 2019 LGA survey shows that 94 per cent of housing stock-owning councils (59) intend to use the removal of the borrowing cap to accelerate or increase their housebuilding programmes to build homes desperately needed in their communities.

While the lift of the Housing Revenue Account (HRA) borrowing housing cap is a huge step forward, there are a number of other cost pressures on the HRA which have potential to impact on council housebuilding programmes. This includes additional costs as a result of building safety reforms, a potential revised Decent Homes Standard, a proposed Future Homes Standard and the recent interest rate increase for Public Works Loan Board loans.

The number of homes built for social rent each year has fallen from over 40,000 in 1997 to 6,000 in 2017.^x This decline has resulted from the policies of successive governments, such as rules and restrictions hampering the ability of councils borrowing to build. This loss of social housing has led to more and more individuals and families finding themselves pushed into an often more expensive and less secure private rented sector. As a result, the housing benefit bill paid to private landlords has more than doubled since the early 2000s.

Ninety-two per cent of councils are clear that more support from government is needed to reverse this decline in social housing. There are 166 councils who no longer own any housing stock in their area so will be unable to use new borrowing powers.^{xi}

There is an important role for Modern Methods of Construction (MMC) in reaching national housebuilding targets. The use of technology at the pre-manufacturing stage allows for the digitalisation of a larger part of production and its transfer into the factory, potentially benefitting everything from design and quality through to speed of delivery and, critically, environmental benefits arising from cleaner technology and less transportation. Initial investment must be made by the Government to stimulate demand in new types of home at scale.

Right to Buy

Reform of Right to Buy (RtB) will also contribute to housing delivery. Councils want to encourage home ownership, without a corresponding decline in the number of social rented homes that are available. It is therefore essential that the Government reforms RtB and puts it on a more sustainable footing.

Councils are ambitious to build significantly more homes and should be able to: retain 100 per cent of sales receipts into building replacements; set discounts locally so that there are sufficient receipts to build new homes; be able to adjust the proportion of receipts they are currently able to reinvest in new supply; and have up to 5 years to build replacements. Councils are currently only able to reinvest 30 per cent of sales receipts they retain for replacements and have to fund the rest. Projections for the LGA by Savills suggest such measures will significantly increase the potential for councils to replace homes sold via the scheme.^{xii}

In the last six years, more than 68,000 homes have been sold off under the scheme at half the market price on average, leaving councils with enough funding to build or buy just 16,800 new homes to replace them. Our modelling suggests this capacity is likely to worsen without reforms to the scheme.

ⁱ LGA, Planning Positively through Partnership, February 2018

(https://www.local.gov.uk/sites/default/files/documents/5.24%20Planning%20positively_v06.pdf)

ⁱⁱ <https://www.local.gov.uk/about/news/development-deadlock-council-planing-departments-hampered-missing-out-ps70-million-lga>

ⁱⁱⁱ LGA, Planning Positively through Partnership, February 2018

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^{iv} <https://www.local.gov.uk/about/news/development-deadlock-council-planing-departments-hampered-missing-out-ps70-million-lga>

^v <https://www.local.gov.uk/parliament/briefings-and-responses/lga-response-mhclg-consultation-reforming-developer>

^{vi} <https://www.local.gov.uk/parliament/briefings-and-responses/lga-response-mhclg-consultation-planning-reform-supporting-high>

^{vii} <https://www.nao.org.uk/wp-content/uploads/2019/02/Planning-for-new-homes.pdf>

^{viii} LGA, Planning Positively through Partnership, February 2018

(https://www.local.gov.uk/sites/default/files/documents/5.24%20Planning%20positively_v06.pdf)

^{ix} <https://www.lgafirst.co.uk/news/right-to-buy-undermining-council-house-building/>

^x MHCLG Affordable housing supply statistics (AHS) 2017-18 Table 1009

^{xi} LGA estimate using MHCLG Self financing 2012 updated as some other councils have stock transferred

^{xii} <https://www.local.gov.uk/sustainability-right-buy>