

LGA briefing on the independent review of build out: final report

1 December 2018



The independent review of build out, led by the Rt Hon Sir Oliver Letwin MP, was announced by government at Budget 2017.

The review was commissioned to look at and analyse the significant gap between housing completions and the amount of land allocated or permitted, and make recommendations for closing the gap.

The final [report](#) was published on 29 October 2018 with the recommendations focusing primarily on large sites in areas of high housing demand.

The Government is due to respond to the review in full in February 2019.

Other useful links relating to the review can be found below:

[Draft analysis](#)

[Preliminary update](#)

[Terms of reference](#)

This briefing is not a comprehensive review of the recommendations outlined in the final report; instead, it summarises the main recommendations of relevance to local government and sets out the Local Government Association's (LGA) initial response.

Main recommendations of the Review

The Review concluded that greater differentiation in the types and tenures of housing delivered on large sites would increase the market absorption rates of new homes – the binding constraint on build out rates on large sites – and has set out recommendations to achieve this aim.

The final report calls for the government to:

- adopt a new set of planning rules specifically designed to apply to all future large sites (initially those over 1,500 units) in areas of high housing demand, requiring those developing such sites to provide a diversity of offerings, in line with diversification principles in a new planning policy document;

Briefing

- establish a National Expert Committee to advise local authorities on the interpretation of diversity requirements for large sites and to arbitrate where the diversity requirements cause an appeal as a result of disagreement between the local authority and the developer.
- provide incentives to diversify existing sites of over 1,500 units in areas of high housing demand, by making any future government funding for house builders or potential purchasers on such sites conditional upon the builder accepting a Section 106 agreement which conforms with the new planning policy for such sites;
- consider allocating a small amount of funding to a large sites viability fund to prevent any interruption of development on existing large sites that could otherwise become non-viable for the existing builder as a result of accepting the new diversity provisions.
- introduce a power for local planning authorities in places with high housing demand to designate particular areas within their local plans as land which can be developed only as single large sites, and to create master plans and design codes for these sites which will ensure both a high degree of diversity and good design to promote rapid market absorption and rapid build out rates;
- give local authorities clear statutory powers to purchase the land designated for such large sites compulsorily at prices which reflect the value of those sites once they have planning permission and a master plan that reflect the new diversity requirements (with guidance for local authorities to press the diversity requirements to the point where they generate a maximum residual development value for the land on these sites of around ten times existing use value rather than the huge multiples of existing use value which currently apply);
- also give local authorities clear statutory powers to control the development of such designated large sites through either of two structures:
 - the local authority could use a Local Development Company (LDC) to carry out this development role by establishing a master plan and design code for the site, and then bringing in private capital through a non-recourse special purpose vehicle to pay for the land and to invest in the infrastructure, before “parcelling up” the site and selling individual parcels to particular types of builders/providers offering housing of different types and different tenures;
 - the local authority could establish a Local Authority Master Planner (LAMP) to develop a master plan and full design code for the site, and then enable a privately financed Infrastructure Development Company (IDC) to purchase the land from the local authority, develop the infrastructure of the site, and promote the same variety of housing as in the LDC model.

LGA view

The LGA has long 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 earlier this year found that in 2015/16, the number of homes with unimplemented planning permissions in England and Wales had risen to over 420,000. 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 Review has offered a crucial opportunity to rebalance the conversation on unimplemented permissions, instead focusing on delivery and challenging the notion of planning being the primary barrier.

We support the overall drive set out in the recommendations to ensure greater diversity on large sites, and enabling councils to have further levers through the planning system to help deliver this.

However, while it is positive in principle for local authorities to have strengthened powers to require greater diversity on large sites, there is an inherent risk that developers will not bring forward sites for outline or planning permission if they do not support the local provisions for diversity, or because they simply make sites unviable. This will ultimately slow down delivery. In introducing such a policy, the government will need to make clear that the requirements (alongside other relevant local planning policies) should be taken into account and reflected in the price paid for land.

There is also a risk, that by defining a threshold to which the diversification requirements apply, that applicants will come forward with developments slightly below this threshold, in order to avoid the requirements. This could result in lower numbers of new units than if the diversification requirements did not exist, undermining the ambition to increase the number of new homes overall.

Nonetheless, if the proposals are brought forward it will be important that site size and the diversification requirements, should be determined locally, to reflect local housing need.

Councils must also have clear powers to remove sites which are allocated in Local Plans where they are not being brought forward in a timely fashion, in addition to streamlined compulsory purchase powers.

We are also concerned that the proposal for a 'National Expert Committee' to arbitrate, will simply add another layer of bureaucratic complexity into the planning process and again slow down delivery.

We do not consider that the proposal for a new government fund for existing large sites which would not be viable under the new arrangements being proposed in the final report, is an efficient way of spending public funds, when it could be spent on providing additionality.

In principle, we welcome the proposals for councils to have powers to designate sites within their local plans that will be subject to revised planning rules for large sites. As already mentioned, the site size should be determined locally. Government should work with councils and developers to understand how the proposal for levels of diversity that will cap the residual land value for large sites at ten times their existing value would work in practice. As the report outlines this could provide an opportunity for councils to capture a greater uplift in the land value for delivery of affordable housing and infrastructure needed to deliver high-quality places.

We also welcome the proposals to empower councils to make greater use of development vehicles to proactively bring forward and build out sites with a greater differentiation in the types and tenures of housing. Our [Innovation in Council Housebuilding](#) report illustrates how councils are opening up opportunities to build good quality homes that are designed to be accessible, affordable and energy efficient. Councils should have compulsory purchase powers enabling them to purchase land at closer to existing use value.

The government should also take into account the findings of the Letwin review when considering the application of the proposed Housing Delivery Test. It is unfair to penalise councils and the communities that they represent when factors outside their control have limited development. Our preferred option would be to replace the presumption of sustainable development with a more positive measure, for instance more robust external support for councils and developers to understand and resolve the barriers to development.

Our [Speeding up Delivery](#) report highlights some distinctive projects and innovative practices that are being used by councils across the country.

Presentations from the LGA's conference on build out rates in October 2018 can be found [here](#).

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