

# Local Government Association briefing

## Debate on housing, planning and the green belt

### House of Commons

6 February 2018



#### Key messages

- The national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year, councils built more than 40 per cent of them. Only an increase in all types of housing will ensure we can deliver 300,000 homes a year. A genuine renaissance in council housebuilding should play a major role in this.
- The lifting of the housing borrowing cap for some councils in areas of the highest demand is a positive step, but it does not go far enough.<sup>i</sup> We are calling on the Government to accept the call of councils and the Treasury Select Committee to lift the cap entirely for all areas. This will enable vital investment in new and existing homes.
- Councils should also be allowed to use 100 per cent of receipts from Right to Buy sales to invest in new homes. Recent LGA analysis reveals almost £3.5 billion in Right to Buy discounts have been handed out to council tenants over the past six years, leading to a quadrupling in sales.<sup>ii</sup> As local authorities are only permitted to retain a third of receipts, replacement homes have lagged far behind.
- A proactive, well-resourced planning system is vital to building the homes the country needs. Councils are working hard to deliver the right kind of homes, and are currently approving nine out of ten planning permissions. However, planning departments are severely under-resourced. Taxpayers are currently subsidising the costs of applications by around £200 million a year.
- Councils need the flexibility to raise planning fees locally to meet their local housing needs. We are pleased that the Government has passed regulations enabling planning authorities to raise fees by an initial 20 per cent. In addition, a further 20 per cent increase should be allowed for all local planning authorities.
- It is positive to see Government investment in building new homes. The doubling of the Housing Infrastructure Fund is particularly welcome, as is investment in the Affordable Homes Programme.<sup>iii</sup> All councils must have a leading role in shaping this investment to ensure that new housing and infrastructure meets the needs of their local communities.

# Briefing

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## **Background information**

### ***The housing market – building the homes we need***

The national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year, councils built more than 40 per cent of them. Only an increase in all types of housing will ensure we can deliver 300,000 homes a year. A genuine renaissance in council housebuilding should play a major role in this.

The Housing Revenue Account (HRA) borrowing cap prevents councils from borrowing to invest in building new homes. The Autumn Budget 2017 has taken a step forward by lifting the housing borrowing cap for some councils in ‘areas of high affordability pressure’, enabling them to bid for up to £1 billion in funding by 2021-22.<sup>iv</sup>

This is an important recognition of the vital role that councils must play to provide desperately-needed homes, but this does not go far enough. The HRA cap should be lifted for all councils and HRA borrowing removed entirely from contributing to the national public debt. Our call has been backed by the cross-party House of Commons Treasury Committee, following its inquiry into the Autumn Budget 2017. The Committee’s report states that ‘raising the cap would have no material impact on the national debt, but could result in a substantial increase in the supply of housing.’<sup>v</sup>

Ahead of the final Local Government Finance Settlement, it is essential that the Government enables councils to keep 100 per cent of receipts from Right to Buy sales to invest in new housing. Under current arrangements councils are only able to retain a third of receipts from the sale of homes. Local authorities have lost enough homes to house the population of Oxford in the last five years, and urgently need a model of Right to Buy that actually allows councils to build more homes.

Recent LGA analysis reveals almost £3.5 billion in Right to Buy discounts have been handed out to council tenants over the past six years, at an average of £60,000 in 2016/17.<sup>vi</sup> This has led to a quadrupling in the number of RTB sales, which councils have been unable to keep up with and replace. This loss of social rented housing risks pushing more families into the private rented sector, driving up housing benefit spending, and exacerbating our homelessness crisis.<sup>vii</sup>

It is positive to see Government investment in building new homes announced in the Budget. The doubling of the Housing Infrastructure Fund is particularly welcome, as is investment in the Affordable Homes Programme. All councils must have a leading role in shaping this investment to ensure that new housing and infrastructure meets the needs of their local communities.

### ***The planning system - delivering the right homes and infrastructure***

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. Given the Government’s recognition that changes to the planning system are vital to increasing housing supply, it is more crucial than ever that measures to fund local planning authorities sustainably are put in place.

Councils are working hard to deliver the right kind of homes, and are currently approving nine out of ten planning permissions. However, LGA analysis in 2017

showed that taxpayers are subsidising the cost of processing planning applications at a rate of around £200 million a year, and will reach £1 billion by 2022. Councils face an overall funding gap of £5.8 billion by 2020.<sup>viii</sup>

We are pleased that the Government has passed regulations enabling planning authorities to raise fees by an initial 20 per cent.<sup>ix</sup> However, a further 20 per cent increase, which the Government has recently consulted on, should be allowed for all local planning authorities, so that councils are fully able to facilitate local housing and infrastructure development.

This flexibility should not be dependent on meeting nationally-set performance criteria which risk creating perverse incentives and unintended consequences. Alongside this, government should test a fair and transparent scheme of local fee setting, giving councils the flexibility to set appropriate fees to reflect local circumstances.

Local government has long argued that constraints on local planning authority resourcing is impacting on the ability to deliver the tasks expected of the planning system. Given the strong focus in the Housing White Paper and Autumn Budget 2017 on substantial changes to the planning system to increase housing supply, it is more crucial than ever that measures to fund local planning authorities sustainably are put in place.

The recruitment and retention of trained planning officers is also a challenge for local planning authorities. To address some of these issues the Ministry for Housing, Communities and Local Government (MHCLG) should work with councils, national and local partners to attract and retain the next generation of planners and place-makers. A collective effort would increase the capacity of planning services to deliver housing growth.

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<sup>i</sup> HM Treasury, Autumn Budget 2017 (<https://www.gov.uk/government/topical-events/autumn-budget-2017>)

<sup>ii</sup> Ministry of Housing, Communities and Local Government, Right to Buy statistics by local authority area ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/661604/LT\\_685.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661604/LT_685.xlsx))

<sup>iii</sup> On 1 February 2018, the Government announced £866 million of the Housing Infrastructure Fund, to be invested in local infrastructure projects (<https://www.gov.uk/government/news/866-million-investment-to-help-unlock-potential-200000-new-homes>)

<sup>iv</sup> HM Treasury, Autumn Budget 2017 (<https://www.gov.uk/government/topical-events/autumn-budget-2017>)

<sup>v</sup> House of Commons Treasury Committee, Autumn Budget 2017, January 2018

(<https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/600/600.pdf>)

<sup>vi</sup> Ministry of Housing, Communities and Local Government, Right to Buy statistics by local authority area ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/661604/LT\\_685.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661604/LT_685.xlsx))

<sup>viii</sup> LGA media release, August 2017 (<https://www.local.gov.uk/about/news/taxpayers-subsidise-planning-application-costs-ps1bn-over-next-five-years>)

<sup>ix</sup> The Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) (Amendment) Regulations 2017 (<http://www.legislation.gov.uk/uksi/2017/1314/introduction/made>)