SOUTH EAST ENGLAND COUNCILS BRIEFING: Kit Malthouse MP

South East context

- South East England Councils represents all tiers of councils in an area of 9.2m residents.
- South East authorities are working hard to respond to the Government's housing ambitions. In 2017-18, the South East saw the UK's highest housing delivery at 39,263 homes. In the three years to 2017-18, the South East total was 110,600 homes (this is 8,900 more than London).
- The South East economy is crucial to the Treasury. Over the 15 years to 2016, the South East made the UK's highest net contribution to the Exchequer at £154 billion. However, this profitability is at risk unless there is sufficient infrastructure investment to support future housing and economic growth. Independent analysis shows a £15.4bn South East infrastructure funding gap by 2030.

Key policy changes that would help South East authorities deliver more:

a) Scale back use of Permitted Development Rights (PDR) to avoid negative impacts on local areas. Benefits of this would be:

- Greater council input on development will ensure better quality/ sustainability. Councils can ensure well-designed, adequately-sized homes in sustainable locations. Council involvement will also ensure the South East does not lose too much employment/ agricultural land to housing. Economically productive space needs to be retained to support local economic growth and mixed-use town centres.
- More developer funding towards transport, service and utility infrastructure for new homes. Exempting PDR from CIL or Section 106 adds to the South East's existing £15.4bn infrastructure funding gap. SEEC members would like to see every housing development paying something towards infrastructure (including PDR and sites of up to 10 homes). This will help fund essential services for new residents, such as transport links, schools, hospitals, utilities, flood protection and affordable homes. Reading BC estimates it has lost £10m in infrastructure contributions due to PDR.

b) More tools for councils to meet the housing test and encourage swifter delivery of the right mix of homes. For example:

- Ability to apply Sir Oliver Letwin's diversity proposals to sites below 1,500 homes. At present it is unlikely the proposals will help secure widespread delivery in the South East, which has few sites of 1,500+ homes. SEEC members have suggested local discretion to set a threshold locally, for example starting at 500 homes. Greater powers over diversity will ensure swifter delivery as well as helping deliver affordable homes for key workers/ older people. Both these needs are high in the South East. In some parts of the South East house prices are more than 12x the average salary (e.g. Oxford). The South East has 846,800 residents aged 75+, due to rise to 1.5m by 2041. Delivery of more homes suited to older people's needs, with care options available, could reduce the demand on social care and encourage downsizing to free up family-sized homes for younger residents.
- Discretion to charge fees or council tax on unbuilt homes. This will help tackle the South East's backlog of 60,000+ unused planning permissions. Without additional discretion, local authorities have limited capacity to ensure developers build in a timely manner that will allow them to meet the housing delivery test.

c) Three policy changes that would help councils balance local demands:

- Review output of housing needs assessment methodology to mitigate unexpected results. For example, South East authorities would value greater clarity on acceptable ways to balance local housing demand with environmental constraints. This is an important issue in the South East, which has over 1million acres of protected land (e.g. AONB, National Parks, SPA, Green Belt). Quirks in the methodology have significantly reduced housing need figures for ambitious, growing cities (e.g. Oxford, Leeds, Birmingham). However, environmentally sensitive areas such as South Bucks (87% protected land) and Tonbridge & Malling (77% protected) have 27% and 23% increases respectively, figures that exceed the market's proven capacity to deliver. Green Belt review cannot meet all needs.
- Allow councils more options for raising infrastructure funding. For example, a local authority share of stamp duty the first time a home is sold could raise c. £1.8bn pa in the South East for infrastructure. A South East strategic CIL (without a Mayor) is another option. On a smaller scale, some councils find that developers are parcelling up and selling self-build sites. This is breaking the link between councils and individuals, with developers making profits but avoiding infrastructure contributions. Capturing infrastructure funding via Letwin proposals to cap land values needs more detail.
- Local discretion on planning fees. The ability for councils to charge applicants the full cost of providing planning services will avoid the need for local tax payers to subside developers' costs.