



Correspondence address:

South East England Councils
Room 215 County Hall
Penrhyn Road
Kingston
KT1 2DN

t: 020 8541 8740

e: nickwoolfenden@secouncils.gov.uk

w: www.secouncils.gov.uk

The Rt Hon Sajid Javid MP
Secretary of State for Communities and Local Government
Department for Communities and Local Government

Sent via email: planningpolicyconsultation@communities.gsi.gov.uk

27 April 2017

Dear Secretary of State

South East England Councils' response to Government's Housing White Paper

1. Introduction and summary

- 1.1 We respond on behalf of South East England Councils (SEEC). SEEC is the cross-tier voice of local authorities in the South East of England, representing some 9.1 million residents. We are a voluntary membership body, bringing together county, unitary and district councils to promote the views and interests of all tiers of local government across the South East, an area comprising 74 local authorities.
- 1.2 We welcome this opportunity to shape the Government's Housing White Paper and proposals to deliver its aim of increasing the supply of homes. SEEC was pleased to host a White Paper consultation event with Housing Minister Gavin Barwell on 6 March. The capacity audience of 124 South East councillors, senior officers, LEPs, housebuilders, bankers and planning consultants raised questions demonstrating the importance of housing and associated infrastructure delivery issues in the South East. **In particular, questions from local authorities demonstrated their willingness to help secure housing growth, if given the tools to deliver.**
- 1.3 Councils across the South East want to see their communities and businesses flourish. Homes at all prices, and associated infrastructure, are vital ingredients for this. As councils we play a unique role, taking the difficult decisions about where homes are needed and balancing the varying needs and views of our areas. We continue to rise to the challenges of doing this but we face a major problem, which we are pleased to see is acknowledged in the White Paper: a growing backlog of unimplemented planning permissions that means many of the homes we approve are not being delivered. By 2014-15 the South East had a backlog of at least 66,750 unbuilt homes. **A major difficulty is that once permission for homes is approved, councils lack powers to ensure they are built; and too often it also proves hard to secure the affordable homes and infrastructure to support growth.** Together these issues can harm the economic success and social fabric of our communities. They also undermine the South East's role as the financial powerhouse of the UK economy – our area made the UK's largest net contribution to the national Treasury at £80bn over 10 years from 2002-12, profit which Government uses to invest across the country.
- 1.4 **We welcome the White Paper as a step in the right direction to improve delivery, but more needs to be urgently done to incentivise and develop the capacity and approach of the housebuilding industry to deliver the housing – market and affordable – that the South East needs. We also need to see changes to tackle the ongoing deficits in funding that stop us investing more in infrastructure and affordable homes, which are critical in an area as expensive as the South East.** Effective delivery of approved plans and permissions is vital to make best use of appropriate land for development, given the

challenging constraints affecting the South East eg. approximately 1 million acres of statutory protected landscapes (for example AONB/National Parks) and Green Belt.

1.5 We agree with the Housing Minister that there is no ‘silver bullet’ to solve the housing crisis and it will require developers, councils, land agents, utilities/infrastructure providers to co-operate and deliver. **Prior to the White Paper’s publication, SEEC set out seven key proposals to Government in ‘Unlock the housing blockers’.** Whilst there is still need for further action as set out in our response below, it is encouraging to see several aspects of SEEC’s recommendations progressed in the White Paper eg. recognition that developers need to build more swiftly/tackle unimplemented permissions; some tools for councils to help tackle slow delivery; funding for small-medium enterprise (SME) builders; training for construction skills; some movement to increase local planning fees; recognition of the need for infrastructure to support homes; possible future change to collect developer contributions on small sites; some actions to support building affordable homes to rent and buy.

1.6 Whilst SEEC members have welcomed some aspects of the White Paper, there are other issues that need further clarification or action to ensure it achieves the Government’s aim of improving delivery of homes. Our response focuses on the two main chapters of the White Paper which Government is consulting on, and relevant consultation questions. In summary our key issues are:

White Paper Chapter 1. Planning for the right homes in the right places:

- **Ensure transition to White Paper changes does not hinder current progress in delivery of homes or local plans.**

White Paper Chapter 2. Building homes faster:

- **Provide more tools for councils to have a real chance of meeting the housing delivery test and tackle unimplemented/slow delivery of permissions.**
- **Increase opportunities for councils to help fill the infrastructure funding gap, to unlock home-building.**
- **Free-up funding opportunities to build more affordable homes.**
- **Improve the construction industry’s approach and efficiency.**
- **Tackle skills and workforce gaps.**

1.7 Actions associated with White Paper Chapter 3 ‘Diversifying the market’, including SME builders/competition, affordable homes and construction, are important. We see these as a means to building homes faster, and understand Government is not formally consulting on this chapter, so have addressed these issues in our response to ‘Building homes faster’ (section 3 below).

1.8 **Our detailed responses to White Paper issues are set out below, with references to specific White Paper annex questions where relevant (eg. WP Qx).** Individual member councils are also likely to respond reflecting local views.

2. White Paper Chapter 1 [Qns 1-15]: Planning for the right homes in the right places

2.1 Key SEEC issue: transition and shaping the way forward. South East councils are already working hard under the current planning system to ensure effective housing plans are in place and delivered. Government has placed significant emphasis in the past on incentives and penalties for councils to get plans in place and approve permissions – and we are doing this. However we have little power over what happens next in terms of delivery. The South East has the highest levels of homebuilding, high demand for homes and offers good profits for builders but, even here, we still see too many developers making slow progress on delivering approved housing permissions.

2.2 South East housing delivery is hindered by a growing backlog of unimplemented permissions: at least 66,750 homes by March 2015. This means many robust council-led local housing plans and council-approved housing permissions are not being delivered. Last year the South East saw England’s biggest net homes increase (34,900 in 2015-16) but even this is not addressing the backlog. Slow delivery of existing permissions can mean councils are being pushed to approve more sites, which may not be in preferred locations or where it

is most appropriate to build – and can unnecessarily increase pressure on Green Belt or other protected land.

2.3 Having worked hard to progress housing plans, we emphasise the importance of ensuring White Paper changes do not have the unintended consequence of slowing or stalling plan development or delivery. South East councils must be closely involved in shaping the detail of how White Paper proposals for local plan making will work and a transition to ensure changes do not further delay delivery. Key areas where our members want to work with DCLG to define details – for example through written guidance – include:

- i. Managing transition to White Paper proposals to standardise calculation of housing need (WP Q3)**, particularly impacts on local plans close to completion. There must be a reasonable **transition period** to any new standardised objectively assessed need (OAN) figures, to avoid local plans currently nearing completion having to be re-started using the new method of calculation. One way of introducing a transition period would be for plans currently nearing completion to be allowed to continue the process using their original OAN figures, but to be reviewed within a reasonable period using the new method.
- ii. Clarifying how the new proposed ‘statement of common ground’** on growth between councils will differ from current ‘duty to co-operate’ good practice principles. We are concerned to ensure the proposed statement of common ground is not less meaningful than the current duty to co-operate. A statement of common ground appears to cover only areas of agreement, whereas the duty to co-operate also considers areas of disagreement, which can be the main problems with achieving co-operation.
- iii. Confirmation of the Minister’s view that the White Paper Green Belt policy/tests (WP Q10) clarify – rather than change - current policy.** We would also welcome clarity about how to balance AONB/National Parks protection with the need for housing.
- iv. Measures to ensure building standards/quality of life** do not suffer as result of a push for greater densities **(WP Q13)**.
- v. Allowing a period of stability in the national planning system** after changes arising from the White Paper to allow local areas to get on and deliver. Regular changes to the planning system distract from delivery. The White Paper will create a period of uncertainty for developers, councils, communities, businesses, utilities/service providers, and is likely to slow delivery initially.
- vi. Shaping the new delivery test** – whilst the principle of speeding up delivery is a step in right direction, **tools in the White Paper do not go far enough** to help councils incentivise delivery by developers. **We say more about how to help shape this approach further in response re Chapter 2 (WP Q28) below.**
- vii. More detail on how White Paper proposals will work re allowing local planning authorities to dispose of land with the benefit of planning consent which they have granted themselves (WP Q5); and expecting local planning authorities to work with developers to encourage the sub-division of large sites (WP Q8).**

3. White Paper Chapter 2 [Qns 16-33]: Building homes faster

- 3.1 Key SEEC issue: Tackling unimplemented permissions.** The South East already has the nation’s largest growth in homes, 34,900 in 2015-16. However despite this apparent success, SEEC leaders are concerned that their commitment to local growth plans is not matched by delivery on the ground. **A particular cause for concern is the growing number of unimplemented planning permissions not being taken forward by the construction industry.** Despite councils continuing to approve development in line with agreed plans, research by independent consultants Glenigan for the LGA shows there were unimplemented planning permissions for *at least* 66,750 new homes in the South East by March 2015. This is an increase from 54,760 in March 2010. And these figures may underestimate of the full scale of the issue as this Glenigan data excludes some permissions – for example sites with less than 10 units, which are significant in the South East.

3.2 SEEC supports the White Paper aim of ensuring developers build approved homes faster, as this will help tackle the South East's growing backlog of unimplemented planning permissions. The White Paper includes a welcome focus on delivering homes and proposals which – subject to final details – may provide some modest tools to help councils incentivise delivery. These include shorter permission length (WP Q25); better CPO powers for councils; enabling smaller builders; ability to consider applicants' delivery track-record when granting planning permission (WP Q23); and improving skills training.

3.3 However SEEC members argue the toolkit needs to go further to ensure permissions turn into completions. We acknowledge the Housing Minister's concern that if powers are too draconian it could prevent developers from making planning applications; but more tools are needed if Government presses forward with its proposed new 'housing delivery test' on councils. Unless councils gain more tangible powers to incentivise development, the housing delivery test could simply reward developers for delivering slowly by giving them more land. To avoid pressure to allocate land such as Green Belt for housing unnecessarily, councils need more tools to ensure that developers deliver in a timely fashion. SEEC proposals to strengthen White Paper actions include:

- i. Powers to help drive forward the 'housing delivery test' (WP Q28)** could include allowing councils local freedom to charge council tax or other fees (eg. charges when land value rises after planning permission) on unnecessarily delayed building; **OR**
- ii. As councils cannot control private sector delivery, refocus the 'housing delivery test' (WP Q28) for councils on housing permissions rather than completions**, as this reflects what councils have more control over.
- iii. White Paper recognition of the need to increase planning fees** is welcome, but estimates suggest current fees may only cover around half of costs. The proposed 20% increase is welcome but is unlikely to provide the capacity that councils need to take on new duties such as delivery tests and will be inadequate to fund the improved services that developers want. While it is fair for residents to fund a proportion of planning costs (eg place-making), it is not appropriate that they should subsidise large developers' costs. Councils should have the ability to set planning fees reflecting local circumstances.

3.4 Key SEEC issue: Infrastructure funding. Infrastructure is critical to unlock sites for housing and economic growth, but existing deficits in investment hinder this across the South East. This means there is **insufficient funding to upgrade road and public transport links, as well as the other IT, utilities and social infrastructure communities and businesses need**. Councils know where major infrastructure is needed to support/unlock development, but currently lack the funding to be able to help take projects forward.

3.5 The White Paper's recognition of the need for infrastructure for new homes is welcome, and could help encourage existing residents to support new building. We welcome the new £2.3bn Housing Infrastructure Fund; £25m fund for high housing need areas; and the review of how CIL/S106 contribute to infrastructure needs. However these alone will not meet the South East's infrastructure needs. Research for SEEC by local government finance experts LG Futures estimates there is an **infrastructure funding gap of £15.4bn in the South East alone between now and 2030**. The total cost of providing transport, education, health, community and green infrastructure for South East residents, plus flood protection, utilities and emergency services is calculated at £38.3bn. Expected funding streams should cover £22.9bn of these costs – but this leaves the South East with a funding gap of £15.4bn. This will restrict economic growth, harm the UK's global competitiveness, impact on the viability of new home-building and risks harming public services if not addressed.

3.6 Infrastructure is needed to sustain the South East's ability to deliver the largest homes growth in England – and unlock a further 66,750+ unimplemented homes with planning permission. The South East's ability to underpin public spending nationwide (with a net return to Treasury of £80bn over 2002-12, which Government can reinvest across the country) will also suffer if its infrastructure is starved of investment. **Without investment to maintain and improve infrastructure, South East economic success and further growth**

cannot be taken for granted and this will be particularly important as the UK prepares to exit the EU when all areas' economies – including the South East's proven potential – will need to maximise their growth. SEEC members fully support the importance of raising economic performance in other parts of the country through infrastructure investment, but (as also highlighted in SEEC's [response](#) to the Government's Industrial Strategy Green Paper consultation) believe this must happen alongside continued investment in South East success – both in terms of its vital contribution to housing *and* economic growth.

3.7 Although not sufficient in their own right to fund all infrastructure needs, councils still value access to Community Infrastructure Levy (CIL) and Section 106 (S106) funding to support affordable homes and local infrastructure. However these contributions are currently not paid by starter homes, small sites and 'prior approvals'. The frequently insufficient gain from development contributions perpetuates, or worsens, the current infrastructure and affordable housing under-provision. For example the South East has a large number of small scale housing sites; local discretion to gather contributions from these sites would play an important part in many councils being able to fund greater investment in affordable housing and supporting local infrastructure. In addition restrictions on pooling no more than five separate CIL contributions can limit the ability to fund bigger projects.

3.8 The South East's role as a global gateway means we have transport schemes with a national economic impact (eg. those set out in our [Missing Links](#) report) that need allocation of national funding. But other changes could also enable more investment from councils for local priorities and help fill the South East's infrastructure funding gap and help unlock housing development. We would like to see White Paper proposals extended to include:

- i. Reallocating existing funding and providing councils with more financial freedoms and flexibilities to help address the South East's growing infrastructure gap.** We recognise there is no *new* money on offer from Government, but SEEC has identified ways in which Government changes could help councils fill gaps and deliver the essential infrastructure needed for new housing. We would like to work with Ministers to explore how policy changes could best support growth in the South East, and how similar **policy changes could help unleash the growth potential** in those many areas without city deals/ combined authorities. For example:
 - Creating more infrastructure funds, similar to those available to elected Mayors.
 - Ways of capturing the uplift in land value resulting from planning permission.
 - Reviewing proposed changes to the New Homes Bonus.
 - Allowing councils to retain first-time sale stamp duty for infrastructure funding.
 - Retaining a greater share of local business rates / greater local decision-making over income streams such as business rates.
 - These changes would also give councils greater certainty to support borrowing for infrastructure investment.
- ii. A more joined-up approach from Government** to help deliver more homes eg. making it easier to gain commitment on funding infrastructure for growth from different departments and utilities providers.
- iii.** Take forward the principle of the independent CIL review team [report](#) (published alongside the White Paper) that **all sites - including below 10 homes - should provide developer contributions**. Government should follow this through into practice, but with locally-led rates to reflect local circumstances. This would also address calls for councils to be allowed to determine, working with developers, adequate contributions (such as S106 and CIL) towards affordable homes from all forms of developments, including starter homes and small sites. **Councils should have flexibility to set locally-appropriate contribution rates and have the ability to pool more than 5 contributions** to fund bigger supporting infrastructure projects. We also call for **changes to tackle the loss of S106/CIL contributions arising from 'prior approvals'** which currently do not have to contribute.
- iv.** In addition, national criteria for investment should be updated to **take better account of the GVA uplift that infrastructure schemes will deliver**. This may include unlocking homes that support local economic and growth plans. A transparent, accountable approach to investing an agreed proportion of national funds in schemes that deliver this

uplift – in the South East and elsewhere – will ensure that both the economy grows and that the Government achieves the best returns on public funding.

3.9 Key SEEC issue: Funding for affordable home delivery. Despite building the most homes in England, housing affordability remains a key issue in the South East and we face a shortage of affordable homes to rent and buy – for example only 5,130 affordable homes were built in 2015-16; and the average market price for South East homes is around 12 times average earnings, 2nd only to London. Renting is still an important option for many and **SEEC members are keen to ensure that there is an appropriate mix of affordable housing to both buy and rent.** Simply building starter homes to buy will not remove the affordability problem as they are still beyond the budget of many buyers, and will not help meet the shortfall in affordable homes to rent. Direct building by the public sector often has the ability to deliver more quickly than some developers (see comments in 3.13 below).

3.10 To address shortage of affordable housing, some South East councils are already taking on the role of directly building new social rented homes, but more could be done with further funding freedoms and flexibilities. Self-financing through the Housing Revenue Account (HRA) is a key opportunity for councils to build new homes at scale. Whilst **some councils in the South East are successfully using HRA to deliver homes, the current cap on borrowing is holding back the full potential.** This is of particular concern in the South East given the high demand for affordable housing. Many SEEC members want to align council borrowing for housing with the wider approach to local Government borrowing where councils can borrow what they can afford to pay back, as enshrined in the Prudential Code.

3.11 Freedom of choice is an important principle, giving councils the ability to choose from a mix of approaches - eg. HRA, housing companies - to do what is best for their area. Whilst some find alternatives to HRA work well, other councils feel greater HRA borrowing would be best for them – but lack of headroom can hinder councils' ability to invest, even where the long-term business plan generates sufficient resources to fund higher levels of borrowing. Councils report that national policies including imposed rent reductions, disposal of high value voids, pay to stay, and universal credit, all impact negatively on potential actions to address affordable housing supply. However, they believe the main constraint is still the borrowing cap on HRA. Councils establishing local housing companies would welcome Government help to make the process as simple as possible.

3.12 The White Paper's focus on market and affordable homes to rent and buy is welcome, but restrictions on developer contributions from small sites (see 3.7 above) and lack of Housing Revenue Account headroom makes it hard for councils to ensure there are enough affordable homes to rent and buy, and at the right time. Further action is still needed in key areas including:

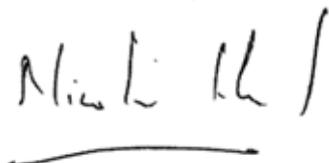
- i. More funding flexibilities to build affordable social housing directly** eg. freeing-up finance through the Housing Revenue Account that would allow more councils to build affordable homes at scale and ensure there is a locally-appropriate mix of market and affordable homes to buy and rent.
- ii. Government should make clear its explicit support for councils actively building through Housing Companies/other delivery vehicles.**
- iii. Government should also review Right to Buy to ensure '1 for 1' replacement** of much needed affordable homes (eg. 100% local retention of receipts, and longer stay / lower discounts); and rethink its proposals for enforced sale of high-value council properties.
- iv. Review targeted upgrading of Local Housing Allowance (LHA) rates in high cost areas** such as the South East. A shortage of homes to rent at LHA rates means tenants on housing benefit often have a gap between income and rent and this unaffordability contributes to growing homelessness. With homelessness costing councils £2m a day nationally, Ministers should consider scope for increasing LHA rates in a targeted way in high cost areas with extra costs funded by reducing the cost to the public purse of homelessness. A similar approach should also be considered to offer a proportion of social rents at less than 80% of market rates in high cost areas.

- 3.13 Key SEEC issue: Industry approach/ efficiency.** As the White Paper acknowledges, industry business models can sometimes slow down release of development to maximise profits. **Increasing the number of smaller builders could improve delivery as they often deliver swiftly and bring more competition into the market.** For example, after giving permission for 1,000 homes, one SEEC member finds the developer only delivering 100 homes a year on the site. Small-medium enterprise (SME) builders have a strong track-record of delivering homes, given the different economic models which they have to work with compared to bigger builders ie. they are often keen to realise profit quickly to maintain cash-flow. However nationally there has been a significant drop in the proportion of homes built by SME builders. National data from the National House Building Council shows that in January 2007 almost 50% of new homes were built by SMEs, but since the recession the percentage has dropped to between 20-30%.
- 3.14 The fall in SMEs and the resulting limited range of businesses within the building industry may undermine competition, reducing incentives to build swiftly for the bigger firms who remain in the market. Along with giving councils more tools (set out in 3.3 above) to ensure all developers/builders get on and build once permission is granted, other actions to help the industry itself deliver more effectively include:**
- i. Government could consider a form of **pre-sales guarantee for smaller housebuilders** which will help them secure loans to build, and/or direct loans guaranteed against land value, which could contribute to improving competition in the building industry and increasing build-out rates.
 - ii. **Encourage efficient construction methods**, such as flat-pack/modular homes, which may help speed up delivery, but recognise that these may only be cost-effective for larger sites.
- 3.15 Key SEEC issue: Skills.** The South East faces skills shortages in key industries, including construction, compounded by a mismatch between the supply of skills training and the needs of businesses. SEEC contributed to a 2014 London Chamber of Commerce and Industry report '**Skills to Build**' that identified a need for 20% more construction workers across London and the South East. The report identified that **training providers were not supplying qualifications needed, and unless the supply of construction workers was increased, house building targets would be missed** and delivery of large infrastructure projects jeopardised. **Research** for SEEC also highlighted South East deficiencies in skills in a number of industries including construction. Whilst Government initiatives such as Advanced Learner Loans should be promoted to encourage a wide range of people/ages to reskill for the construction sector, this is of limited help if relevant courses are not available.
- 3.16 Housebuilders themselves also highlight a lack of skills as a constraint holding up home building. For example, the skills shortage in the construction industry is described as “the number one challenge for housebuilders” by David Thomas, Chief Executive of Barratt Developments, Britain’s biggest builder (The Guardian, 13 January 2016). Unless the supply of construction workers is increased, home building targets will not be met and key infrastructure will not be built. SEEC members have also raised concerns about filling current and future vacancies in a number of sectors that currently rely heavily on the skills and labour of EU nationals. Any reduction in skilled-EU workers post-Brexit has the potential to exacerbate this further, and action is needed now eg. transition arrangements until the indigenous population is up-/re-skilled, and/or agreeing rights for EU workers with jobs to stay.
- 3.17 The existing skills challenge in the South East needs to be tackled to avoid undermining the South East’s economic success for the whole of UK plc. White Paper proposals are welcome, but need to go further to help boost the supply of much-needed skills in the construction industry by increasing the responsiveness of the skills system. This should include more input from councils and other partners to better target funding to the training needed, and support for vocational training/career paths, eg.**
- i. The new ‘Education and Skills Funding Agency’, whilst providing a national framework for standards, must avoid a one size fits all approach. Action is needed to **increase the**

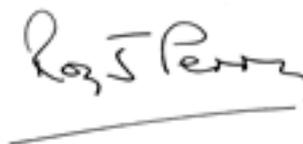
responsiveness of the skills system to each area's economic/business needs, including construction; this should include more input from local authorities and employers to better target funding to the training needed.

- ii. In addition, **education/training routes for technical and academic excellence** are important and young people should have the option to switch academic or vocational choices at a range of points in their learning. There is also a need to **ensure more high quality school places** in all sectors of education.
- iii. Similarly, an **all-age locally commissioned careers service involving councils** would better align careers and enterprise initiatives that are currently separate. This would ensure all local residents can access best practice careers information, advice and guidance relevant to local skills demands and to support inclusive economic growth.

Yours sincerely



Cllr Nicolas Heslop
Chairman, South East England Councils
Leader, Tonbridge & Malling Borough Council



Cllr Roy Perry
Deputy Chairman, South East England Councils
Leader, Hampshire County Council