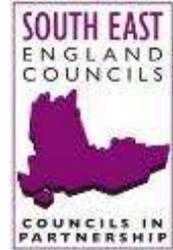


SOUTH EAST ENGLAND COUNCILS EXECUTIVE MEETING

Date: 30 November 2018

Subject: **Housing delivery and planning reform update**

Report of: Nick Woolfenden, SEEC Head of Policy Co-ordination



Recommendations:

Members are asked to

- i) Discuss views on Sir Oliver Letwin's independent review of build-out, to inform potential SEEC input to Government while it considers his recommendations.
- ii) Agree headline issues to inform SEEC high-level responses to consultations on post-NPPF planning reforms, including changes to the standard method for assessing local housing need.

1. Background

- 1.1 SEEC members are asked to consider views on three recent announcements related to further planning/housing reforms following the recent National Planning Policy Framework:
- Independent review of build out: final report by Sir Oliver Letwin.
 - Changes to planning policy and guidance, including the standard method for assessing local housing need.
 - Planning reform: supporting the high street and increasing the delivery of new homes, including permitted development rights.

Alongside these changes, Government is also proposing a 'Building Better, Building Beautiful Commission' to raise standards of design for new housing.

2. Independent review of build out: final report

- 2.1 Sir Oliver Letwin published his [final report](#) of the Independent Review of Build Out Rates alongside Budget 2018. The Treasury-commissioned review focused on the build out rate of permitted new homes on the largest sites in areas of high housing demand, such as the South East. The Government will respond to the recommendations in February 2019.
- 2.2 Tackling barriers to delivering approved housing is an ongoing issue in the South East. In the 3 years to March 2017 the South East saw almost 100,000 homes delivered, the most in England. However there remains a growing pipeline of unbuilt planning permissions – at least 60,000 homes in the South East according to LGA research.
- 2.3 Sir Oliver concluded that the fundamental driver of slow build out is lack of diversity in the types and tenures of homes on large sites, which limits the rate at which the market will absorb them. He did not find evidence of large scale land banking by major developers. His report recommends:
- New planning rules requiring a diversity of housing types on all future large sites (initially over 1,500 homes) in areas of high demand – including an increase in affordable homes.
 - A National Expert Committee to advise councils on the interpretation of diversity requirements and to arbitrate where developers disagree.
 - Incentives to diversify existing large sites by making government funding for builders or buyers conditional upon the builder accepting a s106 agreement conforming with the new planning policy.
 - A small amount of funding for a large sites viability fund, to prevent delays in delivering sites that could become non-viable under new diversity provisions.
- 2.4 In the longer term the review recommends Government should:
- Introduce a power for local planning authorities with high housing demand to designate areas within their local plans as single large sites, and create master plans/design codes to ensure diversity.

- Give local authorities statutory powers to purchase these sites compulsorily at prices that reflect their value once they have planning permission. There will also be guidance for councils on achieving diversity that caps maximum residual development value for the land at around 10 times existing use, rather than current huge multiples of existing use value. As raised in Item 2 (Land Value Uplift Capture), Sir Oliver concludes that value for land with permission subject to diversity rules will be significantly lower than value of land with unconstrained planning permission. Therefore he says the full difference between the values will be available to contribute towards the cost of infrastructure, including affordable housing.
- Give councils statutory powers to control the development of designated large sites through either a Local Development Company or a Local Authority Master Planner.

2.5 Although not a consultation, SEEC would welcome member views to inform any further input to Government while it considers Sir Oliver's recommendations, including when a small group of members meet the housing minister Kit Malthouse in early 2019:

- **Do the proposals sound helpful to drive delivery of approved homes in the South East? SEEC has previously also called for Government to allow councils discretionary powers to charge council tax or other fees on unnecessarily stalled planning permissions. This could also help delivery on the South East's many small sites, which the review's focus on 'large sites' (1,500+ homes) fails to address.**
- **Does the review's proposal for capturing land value uplift (para 2.4 bullet 2, above) sound helpful to fund infrastructure in the South East? The initial impression is that it seems to offer little potential.**
- **How will the review's proposals for increased proportions of affordable homes be funded, without reducing contributions for other vital infrastructure such as transport etc?**

3. **Changes to planning policy and guidance, including the standard method for assessing local housing need**

3.1 The Government is [consulting](#) until 7 December on changes to its recently published guidance on the standard method for assessing local housing need. Government is aiming for 300,000 homes pa nationally by the mid-2020s. Last year, Government identified the standard method would plan for around 266,000 homes across England. Government has reiterated the method does not represent a mandatory target for councils, but the starting point for the planning process. The standard method applies to plans submitted on or after 24 January 2019.

3.2 ONS published new household projections in September 2018 (using 2016-based population data), which reduce the projected rate of household formation by 53,000 a year between 2018 and 2028. This would lower annual housing need calculated using the standard method to 213,000. This is below the 217,350 homes delivered last year nationally. Government has decided it would not be right to change its aspirations of delivering more homes, as it wants housing to keep pace with population growth and address worsening affordability. Therefore it proposes:

- Previous 2014-based data should continue to provide the baseline for assessment of local housing need.
- National planning practice guidance will specify that lower numbers from the 2016-based data do not qualify as an exceptional circumstance that justifies departure from the standard methodology.
- Reviewing the formula longer-term to establish a new method that meets the Government's growth objectives.

3.3 As the methodology effectively remains unchanged, members are asked to confirm SEEC's consultation response should highlight previous calls for amendments to the method to address unexpected results. For example the methodology:

- Allocates housing increases to many parts of the South East with existing high growth levels but limited further capacity – eg due to large amounts of statutorily protected land.
- Allocates reductions to other parts of the South East that have higher growth ambitions.
- Allocates unwelcome reductions elsewhere in England. Research by Homes for the North argues the housing need figures are not fit for purpose because they favour building in the south and risk undermining economic growth ambitions in the north.
- Previously SEEC recommended Government should base a revised housing need methodology on average salaries by residence, rather than workplace (as proposed), better reflecting the true ‘spending power’ of local residents.

4. Planning reform: supporting the high street and increasing delivery of new homes

4.1 Government is also [consulting](#) until 14 January on reforms focused on high streets and making the best use of land and buildings to deliver more homes. To help shape SEEC’s high level response, views are invited on the following three key aspects of the consultation.

4.2 Permitted development rights (PDR) - Government sees PDR providing developers with a more streamlined and certain route through the planning system. Consultation proposals include new PDR to allow greater flexibility for change of use, using the airspace above existing buildings for additional new homes and extensions, and making permanent other rights eg. change of use from storage/distribution to residential, and larger extensions to homes. Potential points for a SEEC response include:

- **SEEC members have previously raised concerns about PDR not contributing to infrastructure funding, so any changes should be accompanied by requirements for development to contribute to avoid increasing the South East’s existing infrastructure deficit.**
- **There is a need for local control to ensure change of use from business to residential will not result in loss of important economic functions in town centres. Retention of the prior approval application process will be vital, along with the ability to charge a fair cost for these applications to cover councils’ costs.**

4.3 Disposal of local authority land - Government proposes to extend councils’ freedoms to dispose of surplus land at less than best consideration value without seeking consent from the Secretary of State. They hope this will provide greater flexibility to dispose of surplus land in support of local development objectives. Potential SEEC points include:

- **Reducing bureaucracy for councils will be welcome. Greatest flexibility would be achieved by completely removing the undervalue threshold so councils do not need consent.**

4.4 New town development corporations: Draft compulsory purchase guidance - Government is seeking views on draft guidance to clarify the compulsory purchase powers of new town development corporations, which could be applicable to garden cities/towns in the South East.

- SEEC does not plan to respond to this section as it is technically-focused, but recommends councils with an interest in new towns/garden cities consider responding reflecting local views.