

MINUTES OF THE EXECUTIVE MEETING**Friday 30 November 2018**

Engineering Employers' Federation

Broadway House, Tothill Street, London SW1H 9NQ



Present: Roy Perry (Chair)
 Ralph Bagge
 Paul Bettison OBE
 Andrew Bowles
 Jason Brock
 Jeanette Clifford
 Lynne Hack
 Nicolas Heslop
 Keith House
 Colin Kemp
 James Mills
 David Monk
 Ann Newton
 Tony Page
 Stephen Parker
 Carole Paternoster
 Jo Randall

In Attendance: Professor Christine Whitehead, London School of Economics
 Julian Ware, Transport for London
 Angela Kawa, LGA
 Heather Bolton, SEEC
 Nick Woolfenden, SEEC
 Emily Duddy, SEEC
 Rachael Coker, SEEC
 Neil Border, SESL

1. Apologies, declarations of substitutes and declarations of interest

1.1 Colin Kemp substituted for John Furey, Ann Newton for Bob Standley, Jo Randall for Matt Furniss. Apologies came from Tim Wheadon, Eileen Lintill, Clive Woodbridge, Paul Carter CBE, Chris Townsend.

2. Land Value Uplift Capture (LVUC): Is it a viable option for the South East to help fill infrastructure funding gaps?

- 2.1 The Chairman introduced Christine Whitehead, Professor of Housing Economics at the London School of Economics and Adviser to MHCLG's Committee on Housing Supply, and Julian Ware, Senior Principal at Transport for London (TFL).
- 2.2 Christine gave an overview of previous national approaches to LVUC and related taxes, explaining it had proved hard to secure long-term political support or market acceptance for these. Addressing [options outlined in the SEEC meeting paper](#), she said Options A (Freedoms under the 'Lucas clause') and B (Development Rights Auction Model - DRAM) were unpopular with the public because they could be seen as selling or auctioning planning permissions and so potentially corrupt. Option C (Land Fund) was feasible as Cambridge and the GLA had both operated this successfully. Option D (Compulsory purchase) would require Government to change rules and reduce inflated starting 'hope' values for land. Option E (Precepts, such as proposals in Sir Oliver Letwin's Independent Review of Build Out Rates) is currently a favoured option but would only cover a particular development and would not meet wider infrastructure needs.
- 2.3 She advised SEEC members to act as a group when pushing for particular proposals that could support large-scale infrastructure across the South East. She also suggested consideration should be given to applying LVUC to existing developments that benefit from

new infrastructure rather than simply focusing on new build. Finally, she cautioned against what developers might view as 'double-charging' ie. LVUC in addition to developer contributions, as this could put the viability of developments into question. She said that successful introduction of LVUC would depend on changing developers' expectations so that they saw it as standard practice. This could happen if more authorities adopted the idea.

2.4 TfL has spent 10 years looking at Community Infrastructure Levy (CIL) and commissioned research into LVUC, which formed the backbone of the Mayoral CIL funding model for Crossrail 2. Julian's [slides](#) demonstrated the increase in land value as a result of the Crossrail expansion, in particular adjacent to the Jubilee line. However, much of this 'uplift' goes into the local housing market and less into additional travel fares generated. This means the benefit is captured by national government or the private sector in stamp duty and increased house prices, rather than to pay for further local infrastructure improvements.

2.5 TFL has focused on what can be done with new development using Mayoral CIL. This is set at a low level and is limited to collecting contributions towards transport infrastructure. Initially it was thought that CIL was going to be the hardest LVUC model to implement, in practice it has proved to be the easiest with Mayoral CIL having raised £120m since it was first introduced. It was noted that these benefits were particular to London as the impacts are relatively well contained/defined, and the approach may not work so well outside the capital. TFL wants powers to use stamp duty to fund investment. However, stamp duty can be unstable for forward planning infrastructure investment due to the volatile nature of the housing market. TFL has looked into DRAM but the research has yielded mixed results.

2.6 In discussion, members raised points including:

- Investigating if it were possible to capitalise on the subsidies government is giving to new-build homes which developers profit from. However, it was felt the government would not look favourably on this as it could deter developers who may be taking risks on areas local authorities wouldn't have invested in themselves.
- Given the South East's high levels of growth, it is particularly important to find a way to fund the transport infrastructure needed for new developments. Mayoral CIL is set low but has been successful, so this could offer ideas for a way forward in the South East. Members also explored whether there could be a means of capturing the increase in value of agricultural land (other than through capital gains tax) to help fund local infrastructure.
- Members preferred to focus on potential for LVUC from awarding planning permission for new build rather than trying to tax existing developments that benefit from later improvements in strategic infrastructure.
- Members acknowledged that landowners are likely to resist new taxes and new forms of LVUC could discourage housing supply.
- There was interest in whether the South East could create its own Strategic Infrastructure Levy (SIL) to fund key priorities for the area. If a SIL rate was kept low then there would be no case for exemptions. This could be similar to Mayoral CIL but without a mayor as there was no case or need for elected mayors in the South East..
- Concern was raised that developers prefer to engage with Section 106 rather than CIL and that selling this to local communities was hard as the public did not necessarily see what they were getting for their money.
- If an 'extra' SIL went ahead, careful work would be required to avoid the risk of developers using viability arguments to reduce contributions for affordable housing or other infrastructure. Could the South East access a SIL to help mitigate Heathrow expansion?
- Some members felt CIL did not work well in 2 tier areas. Coordination between county and district councils on infrastructure would need to be tightened if this model were to be rolled out across the South East.

ACTION 1: SEEC to explore ideas for a South East SIL/LVUC, including how it might support specific infrastructure improvements (e.g M27, or needs arising from Heathrow expansion).

ACTION 2: SEEC officers to draft a letter for members to consider sending to Ministers on principles for capturing value to help fund infrastructure.

3. Housing delivery and planning reform update

- 3.1 Nick Woolfenden asked for member views on proposed issues to inform SEEC responses to Government consultations and reviews. During discussion members raised issues including:
- The Letwin Independent Review of Build Out Rates requirement that developers diversify the types of homes built was generally welcomed, but the 1,500+ home threshold was too high, applying to only a tiny fraction of new housing developments in the South East. Members recommended lowering the threshold to 500 or perhaps fewer.
 - The housing needs assessment consultation was an opportunity to reiterate that the current calculation method does not help South East local plans due to unexpected/unrealistic results and failing to recognise large amounts of statutory land protections. The focus on overall numbers masked the need for affordable housing. The numbers, alongside Permitted Development Rights (PDR), would drive the wrong kind of developments and reduce the role of local authorities as place shapers.
 - Small sites and PDR (such as office to residential conversions) should have to contribute to infrastructure funding to avoid worsening the infrastructure deficit in the South East. PDR could cause disputes between neighbours as large extensions could bypass the standard planning process.
 - Proposals to convert high-street shops to residential properties risk removing the place shaping ability of authorities to maintain commercial hearts in their communities. Proposals to allow PDR for conversions from storage warehouses to housing caused concerns about access/sustainability of these locations.

ACTION 3: SEEC to respond to MHCLG consultations outlining member concerns on housing needs assessments (closing December) and Permitted Development Rights (closing January).

ACTION 4: SEEC to draft letter to Housing Minister Kit Malthouse setting out proposals for fine-tuning recommendations in the Letwin review to make them more South East relevant.

4. SEEC resources, subscriptions & budget 2019-20

- 4.1 Following a recommendation from the SEEC treasurer, members recommended a 2% increase in subscriptions for 2019/20. Members also discussed the importance of encouraging lapsed members back into SEEC membership. The proposal for a 2% subscription rise should be presented to January's All-member meeting to allow invoicing at the start of the financial year instead of waiting for approval at the AGM, which meant invoices would not be sent until July.
- 4.2 Following a proposal from the Chairman, members discussed a potential federation between SEEC, SESL, the transport and infrastructure body and South East 7. This would potentially be named 'Council of the South' to counterweight the Council of the North. A SEEC/SESL union was not a new suggestion, however members felt the time was right pursue it again but stressed it should not lead to an additional layer of subscriptions.
- 4.3 Members agreed the [outline SEEC budget for 2019-20 set out in the meeting papers](#). Heather's replacement as Director should be a short term contract due to possible restructuring if a SEEC/SESL/South East 7 federation goes ahead. The new post should ideally start prior to Heather's departure to allow for handover.

ACTION 5: SEEC to take forward a recommendation to the January 2019 All-Member meeting proposing a 2% subscription rise for 2019/20.

ACTION 6: SEEC to progress discussions on creating a federation of South East organisations that could act as a united voice and 'Council of the South'.

ACTION 7: SEEC to progress recruitment for a replacement Director.

5. Latest SEEC activity report and updates

a) SEEC business plan 2018-9: final version

- 5.1 The final [published version](#) included member comments, notably on Brexit and skills.

b) London Plan Examination in Public – update on SEEC representation and report back from the Wider South East Political Steering Group 10 December

- 5.2 SEEC and SESL will be jointly represented at the London Plan Examination in Public, starting in January, addressing issues about the Plan's possible implications for the South East. Members have been invited to Wider South East Summit with Mayor of London (11 January).

c) SEEC input to Government: [Lords Select Committee on social care funding](#) and [Use of Right to Buy Receipts](#)

5.3 Members were provided with links to SEEC submissions.

d) SEEC Communications update: [Same day briefing on October's Budget](#), SEEC's [October newsletter](#), SEEC Chairman's [article on fair funding in LGC](#)

5.4 The Deputy Chairman praised the quality and timeliness of SEEC's autumn Budget briefing.

6. Minutes and matters arising

6.1 The minutes of September's Executive were agreed as a true and accurate record. There were no matters arising.

7. Future meeting dates:

- 18 December 2018 – SEEC/ LGA South East roadshow for LGA Post-Brexit Commission.
- 11 January 2019 – Wider South East Summit with London Mayor.
- 31 January 2019 – SEEC All-member meeting and Brexit practicalities workshop.

8. Any other business

8.1 Small groups of SEEC members are meeting Skills Minister Anne Milton and Housing Minister Kit Malthouse in early 2019.

8.2 SEEC has been asked to provide information on whether councils in London are placing homeless people in the South East. Any councils with hard evidence should contact heatherbolton@secouncils.gov.uk.