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31st January 2017

Dear Minister

FOLLOW UP TO MEETING ON 19th JANUARY 2017 ON UNLOCKING UNIMPLEMENTED HOUSING CAPACITY IN THE EAST, LONDON AND THE SOUTH EAST

Thank you for your time on Thursday 19th January 2017. As representatives of the Mayor of London and Councils across the East, London and the South East we appreciated the chance to discuss our growth aspirations, constraints on delivery; to hear from you about latest HM Government thinking and to start to discuss how we can work better together.

As you know we discussed the contents of our letter of 26th September 2016 and you challenged us in a number of areas around it.

In particular, you challenged us around providing granular data on unimplemented planning permissions and you also gave us an opportunity to propose a couple of worked up ideas that could still potentially be included in the forthcoming White Paper. We have done some urgent work on these two items and the attached documents provide some more detail, and evidence, for you and your team to consider.

In summary though, data around unimplemented planning permissions is not being kept in a consistent manner by local authorities and / or other organisations – currently there is no single recognised way of doing it. However having liaised with your team (Sue Lovelock) we have done our best in the limited time available.

Unimplemented housing permissions

Evidence from multiple sources shows there have been significant increases in the number of unused planning permissions for homes in recent years.

Appendix one gives more detail, but we particularly draw your attention to a comparison of Glenigan data (as used by DCLG and LGA) with approvals collected through the statutory London Development Database (LDD). This shows that the stock of unimplemented permissions identified by Glenigan excludes some types of development and, significantly underestimates the stock of new homes permitted (see Table 1 in the Appendices).

We will send your team the 'granular' LDD data for independent analysis – in essence it shows that aggregate London approvals over a decade have averaged some 50,000 pa, while completions have been little over 25,000 pa, and that London's development pipeline has risen to 266,000 (see Diagram 2 in the Appendices) compared with the 111,000 shown by Glenigan.

Complementary analysis of data for sample authorities in the East of England and South East further illustrates how the Glenigan data underestimates the backlog of unused permissions. Based on this local monitoring we believe the backlog to be much greater than Glenigan's estimate and more in line with the LDD findings.

Assuming the same known differences occur in the East and South East and to the same degree, the LGA / Glenigan data would be increased by 128%, giving a total of over 510,000 unimplemented homes in the Wider South East, which is over six years' supply for new households (see Table 3 in the Appendices).

Policy solutions

As we recognise you are looking to publish the White Paper next month, we have limited ourselves to two ideas that we believe would help bring forward delivery of homes.

The first solution, and one which would be partnership based and probably already 'do-able' under current planning arrangements, is for the White Paper to explicitly endorse the use of review mechanisms under which a S106 agreement or conditions would set out an agreed level of progress / development to be achieved on a particular scheme by a specified period. If development has not commenced by this date then the land owner would have to undertake a further viability assessment.

A more rigorous version of this, intended to provide a greater incentive for land owners to develop, would be to redefine 'commencement' so that development is more advanced than at present when the specified period is reached, and after this period has passed, to introduce a requirement to pay an ascending scale of Council Tax (or equivalent) on the permitted but uncompleted units. We provide more detail on this in Appendix 2.

The second solution is to encourage utility companies to align their infrastructure investment better with planned housing. Allowing councils to agree building schedules and targets with developers would provide greater confidence to support utility forward planning. Ministers should also take proactive steps to work with regulators to reinforce the need for timely investment. We provide more detail on this approach in Appendix 3.

We would obviously be more than happy to discuss any of this information / ideas.

Finally, we intend to play a positive and constructive role in response to the forthcoming White Paper – as we will in response to the Industrial Strategy published last week. We welcome your enthusiasm to get out and about over the coming weeks and months and we are sure that you will get numerous invitations from our area – which after all provided 44% of all the country's new homes in 2014/15 and has the potential and ambition to provide even more.

We look forward to hearing from you soon.

If your team have any technical questions in follow up to this – or our meeting, please contact Heather Bolton, John Lett and / or Russell Williams (the three officers who supported us in the meeting on the 19th – and all copied into this email).

Yours sincerely

Councillor David Finch
Chairman of the East of England Infrastructure and Growth Group and Leader of Essex County Council

Councillor Linda Haysey
Deputy Chairman of the East of England Infrastructure and Growth Group and Leader of East Hertfordshire District Council

Councillor Nicolas Heslop
South East England Councils Chairman and Leader of Tonbridge and Malling Borough Council

Councillor Paul Bettison
Member of South East England Councils' Political Steering Group for the Wider South East and Leader of Bracknell Forest Council

Jules Pipe
Deputy Mayor for Planning, Regeneration and Skills, Greater London Authority

Councillor Darren Rodwell
London Councils Portfolio Holder for City Development and Leader of London Borough of Barking and Dagenham

Copied to:

Heather Bolton, Director, South East England Councils
John Lett, Strategic Planning Manager, Greater London Authority
Russell Williams, Chief Executive, Ipswich Borough Council

Greater London Authority the Mayor of London provides citywide leadership and creates policies to improve London for all.

London Councils represents London's 32 borough councils and the City of London.

South East England Councils (SEEC) represents county, unitary and district councils in Buckinghamshire, Oxfordshire, Berkshire, Hampshire, Surrey, East & West Sussex and Kent.

The East of England LGA is a membership organisation of the district and county councils in Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk and the unitary councils of Bedford, Central Bedfordshire, Luton, Peterborough, Southend-on-Sea and Thurrock.

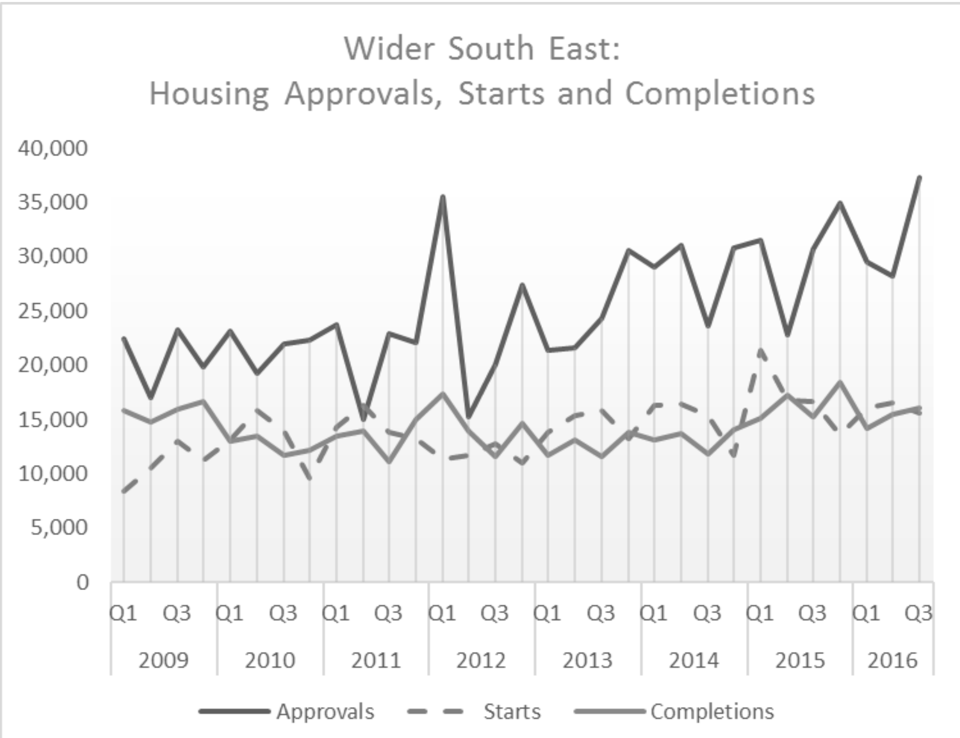
Appendix 1

Two national reports linking planning permissions with housing delivery were published in 2016 highlighting the growing gap between the number of homes permitted and delivery. In January 2016, the LGA published its updated analysis using data from Glenigan on unimplemented permissions – the quantitative approach - and, in August, Civitas compared housing starts and completions with permissions – the flow approach.

By comparing approvals data from Glenigan (used in HBF's regular 'housing pipeline' reports, and also by LGA for its national report on unimplemented permissions) and DCLG 'Live Table 253a' official data on completions/starts, Diagram 1 shows how the gap between approvals and starts and completions has grown since 2012. Taking a three-year average of the difference between permissions and completions, this gap has grown by 87%.

However, Glenigan's approvals data does not include sites of less than 10 dwellings or outline permissions. Outline permissions are important to consider because these are commitments that then affect the market; and small sites of less than 10 dwellings account for a significant amount of delivery, particularly in rural areas. Therefore, the scale of the gap of unimplemented permissions will be much greater. We explain the impact these and other factors have on Glenigan's data below.

Diagram 1: Permissions, starts and completions – the flow approach (HBF/Glenigan Housing Pipeline Report Q3 2016 and DCLG Live Table 253a)



Impact of factors not included in Glenigan's data

The extent of the scale is highlighted through a comparison between the Glenigan data on the stock of unimplemented permissions used by LGA and the GLA's London Development Database (LDD) monitoring data. LDD uses a more detailed assessment method and can therefore provide data on unimplemented permissions more accurately. Detailed data is provided separately to your civil servants. On this basis the GLA undertook a comparison and highlighted how the omission of outline permissions and smaller sites underestimates the extent that the London Boroughs have already permitted new housing. The GLA's analysis also showed that other features, such as conversions of existing buildings, also contributed to this underestimate. This analysis is shown in the table below.

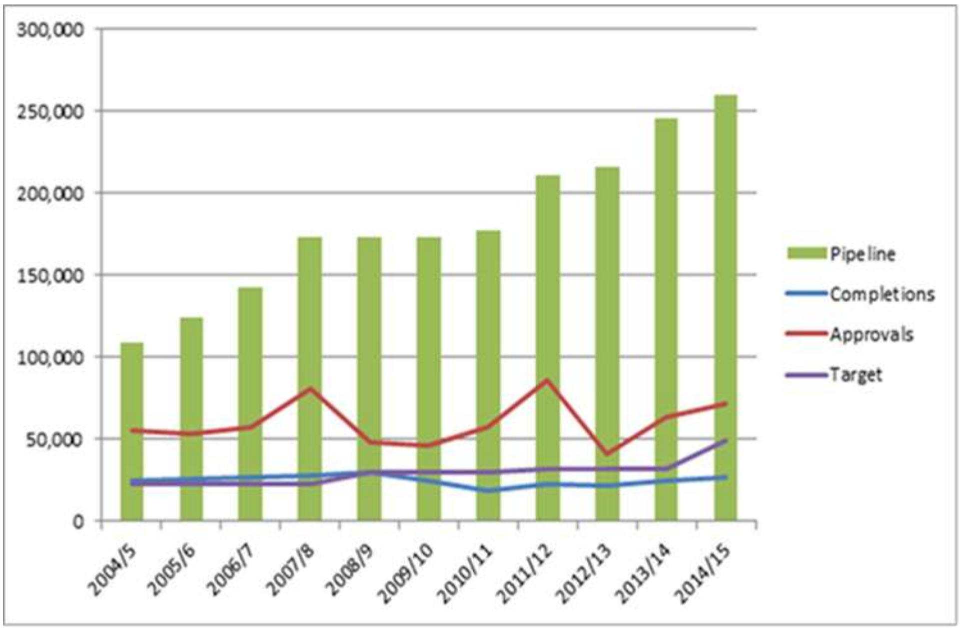
Table 1: Components of difference between Glenigan and LDD Data in terms of the number of unimplemented permissions in London (on 31 March 2015)

Component	Incremental % increase on LGA / Glenigan Data
Outline Permissions and Prior Approvals (e.g. office/agriculture/retail to residential)	101.7%
Schemes with less than 10 units (Glenigan's monitoring only records developments >10)	20.0%
Non-residential-led (e.g. mixed use retail and residential)	0.3%
Schemes not started after 3 years (because these are assumed to have lapsed by Glenigan)	0.3%
Non-new build development (e.g. residential conversions and changes of use)	6.1%
Unknown	*11.3%*
Total	139.8%

Source: GLA

The comparison between the pipeline of permissions (the number of homes with a valid permission but not built), new approvals and starts and completions for London is shown below (Diagram 2). This shows a similar trend to the overall Wider South East for the flow-approach (Diagram 1): a growing gap and relatively stable levels of completions.

Diagram 2: Housing Trends in London 2004/5 – 2014/15



Source: London Boroughs and GLA London Development Database

Given the similarities, it is a reasonable assumption that the degree to which the LGA/Glenigan data underestimates the amount of committed supply throughout the Wider South East is similar to London. The actual difference can only be known through a comprehensive and co-ordinated review of local authority data and might well be greater because, for example, outline permissions and permissions on small sites is greater for the East and South East than London.

By way of example, data from Cambridgeshire (Table 2) shows the similar trend and scale of the surplus of permissions, which grew by 94% between 2012 and 2015.

Table 2: Permissions, Starts and Completions in Cambridgeshire – flow approach

Unimplemented permissions in Cambridgeshire					
Year	**Units granted PP**	**Starts**	**Completions**	**Permitted Surplus**	**Three year average**
2006 - 07	6,027	4,114	3,662	2,365	
2007 - 08	6,563	3,592	4,200	2,363	
2008 - 09	4,368	2,038	2,780	1,588	2,105
2009 - 10	5,311	2,330	2,128	3,183	2,378
2010 - 11	4,411	2,537	2,538	1,873	2,215
2011 - 12	3,896	2,226	2,456	1,440	2,165
2012 - 13	7,026	3,008	2,044	4,982	2,765
2013 - 14	5,818	2,579	3,176	2,642	3,021
2014 - 15	11,275	3,058	2,812	8,463	5,362
2012-2015 % change in Surplus of Permissions					94%

Source: Cambridgeshire County Council, Research and Monitoring Data

Examples from two South East rural planning authorities show between 46-64% of unimplemented homes with planning permission were on sites of less than 10 units – further demonstrating the significance of Glenigan's data excluding small sites.

Applying the ratios from Table 1 (but not the unknown differences) to Glenigan's data published by the LGA produces the following results, which are compared to the annual average household change estimated by DCLG. This produces the estimate that there were over 510,000 unimplemented permissions in the Wider South East in March 2015, compared to the 218,000 if using Glenigan's data published by the LGA. Given the growing gap, this actual number is likely to be greater now.

Table 3: Unimplemented Dwellings recorded by LGA / Glenigan as at March 2015 and Revised Estimate compared to Average Annual Household Change 1991-2014

	Annual Average Household Change 1991-2014 (DCLG)	Unimplemented Dwellings (LGA/Glenigan)		Unimplemented Dwellings (Revised Estimate)	
		Total	Years Supply	Total	Years Supply
Wider South East	**77,222**	**218,089**	**2.8**	**510,773**	**6.6**
% England	50%	48%		49%	
England	155,684	457,945	2.9	1,046,077	6.7

Source: DCLG Household Projections/ LGA/Glenigan/GLA/EELGA

Appendix 2: Proposal for tackling unimplemented permissions / incentivising delivery

Timely delivery of homes relies on all partners to play their part. Councils have responsibilities and incentives to ensure they have local plans in place and approve permissions within set timeframes. However once permission is granted to applicants, councils have little power to incentivise delivery of stalled or slow developments. Sometimes delays are due to legitimate issues that need to be resolved (eg complicated brownfield sites etc, or SME financing issues), and councils and developers will continue to work constructively to encourage delivery of such development. However action is needed to tackle unnecessarily slow development, as well as speculative ‘promoters’ who bring sites to outline permission stage to increase land value but are then slow to get developers in place and complete building.

Discretionary local incentives would allow councils to encourage delivery by those deliberately holding back approved development. By avoiding impact on those delivering effectively, this would therefore not deter applications from those genuinely seeking to develop homes. Government should introduce discretionary local powers allowing councils local options to incentivise delivery, through options such as charging council tax if building of permissions exceeds locally agreed timescales.

Local government, Government and industry should work together to determine ‘trigger point’ criteria for these discretionary local powers. This includes a redefinition of ‘commencement’ to encourage development to genuinely progress or else trigger the discretionary incentives above. This will avoid ‘token’ starts on site.

The Government should also actively promote the ability for councils to review S106 agreements or conditions if an agreed level of progress/development on a particular scheme is not met; if development is not on schedule, the applicant would have to undertake a further viability assessment and could incur additional S106 contributions. This would reduce the incentive to delay delivery to increase profits from rising property values, or getting a permission just to sell the site with an inflated land value.

Appendix 3: Proposal for helping utilities to invest with confidence

The barriers to utility companies delivering and managing their infrastructure sufficiently in advance of need and on a strategic basis can be a serious impediment to new housing developments, particularly large scale ones. In order to support regulated utilities it is essential that mechanisms be put in place to incentivise investment in new utility infrastructure in strategically identified locations. Councils and partners across the Wider South East are confident that the following approaches will help utilities focus resources and invest confidently in preparation for future demand:

1. Better sharing of information between utilities and local authorities on the likely progress of developments

   Understanding the timing, build out rates and occupation of new development is important to effectively manage the delivery of necessary supporting infrastructure. Allowing councils to negotiate high level development agreements with utilities, other infrastructure providers and developers on the timing of development would help agree approaches to infrastructure investment, and avoid blocking sites, both large and small, that might otherwise struggle to progress.

   Utility firms are proactive with the development industry and local authorities and will welcome improving the exchange of information and development intelligence. Consistent and accessible data, including spatial information, would assist all providers form credible investment plans.

   Utility and other infrastructure providers need to make efficient use of customer and taxpayers money, which means making the right investment at the right time. This includes working with the development industry to ensure that fair contributions are made towards the infrastructure needed to support growth. Improved intelligence of site progress, phasing and understanding of site requirements will help to achieve this.

   The GLA is facilitating the sharing of relevant data in London through the London Infrastructure Map:
   https://www.london.gov.uk/what-we-do/business-and-economy/better-infrastructure/london-infrastructure-map

2. Improvements to the regulated environment to allow the right investment at the right time.

   Regulators should have regard to local and sub-regional plans, national policy and high growth areas including garden villages and towns when considering price reviews to ensure the emerging growth can be effectively planned. This should include how regulators allow flexibility to changing circumstances, such as acceleration of housing delivery.

We ask Ministers to work with regulators and infrastructure providers to actively encourage and incentivise them to deliver efficient and timely investments.

Cross-dependencies between utilities (perhaps particularly between water and energy) should also be considered and be included in strategic plans, as well as company plans and regulatory assessments.

3. Review of the regulatory framework governing investment in new utility infrastructure

Ofgem has consulted on the need for new models to facilitate investment in new electricity distribution infrastructure and the Mayor of London is currently testing the feasibility of a new approach to enable new infrastructure investment to keep pace with development requirements. Some of the models require legislative change and the Government and regulators should keep the current regulatory and legislative frameworks under review, as these new models are developed.

A collective approach to delivering utility infrastructure, which involves planning authorities, developers and utilities can encourage more development to be promoted through the local plan process and create a safer environment for investment (both for utility companies and developers alike).