

REVISED DRAFT

Highbury Group on Housing Delivery

Response to Independent Review of Build Out: Final Report

We support the general thrust of the report: to increase the local authority role in the management of new residential development with the objective of both speeding up build out and increasing the range of housing outputs. We welcome the case made for a more collaborative and less adversarial development process. We also welcome the report's recognition of the important role of land valuation practices and land values in determining what can be built and at what pace.

However, we are concerned that some of the specific mechanisms proposed will not achieve these objectives and note that no estimates are provided as to the potential impact of the recommendations in the report. Moreover, the report is lacking an analysis of the full range of obstacles to delivery and the different roles these factors play in different areas of the country. This is despite the evidence collected by a range of private and public sector bodies which demonstrate that different factors apply in different locations. In the draft analysis published in June, there was a recognition of skilled labour shortages (which are likely to get worse following EU exit) but little recognition of materials shortages, the impact of reduced direct and indirect subsidy for sub market housing and increased reliance on planning gain, the obstacles to the provision of transport, utilities and social infrastructure or the impact of restrictive policies on land release, for example in relation to the Green Belt. While the report has an intentionally narrow focus, it cannot ignore that all these factors have an impact on build out rates, which is the subject of the report. The report appears to rely too heavily on discussions with vested interests rather than on independent analysis of what is actually happening (or not happening) on the ground. For a report which focuses on the role of developers, there is actually no analysis of how development is financed, and how this has changed over time. There is also no examination of the marketability of output – i.e. that the market absorption rate depends on price as well as location of new output and that this relates partly not just to price in relation to household incomes but to the wider economy, including the availability of mortgage finance.

The report focuses on the need to diversify new housing output. It however appears to focus more on diversity of providers than on the diversity of output in terms of built form, tenure, affordability and bedroom size mix. We recognise that the effective control of the development market by a small number of large commercial developers has created an oligopolistic position which has disadvantaged smaller housebuilders. However, the description of the problem and the range of barriers for new market entrants is limited. For example, the cost of preparing a planning application can be prohibitive for smaller housebuilders. There is no consideration of whether planning processes should be a public service rather than a charge on the applicant.

The specific proposals to counter the identified problem are not very specific, for example the use in para 3.8 of the term 'reasonable range'. The reference should instead be to a 'policy compliant mix'. It is also unclear how the recommendations would actually stop drip-feeding and land hoarding by housebuilders/ landowners which was one of the original reasons for the study. Moreover, to focus on sites with a capacity of 1500 units or more does not deal with the obstacles to delivery on the much larger number of smaller sites. The report also does not recognise that for the larger sites, a

key reason for slow delivery may be the difficulty of ensuring delivery of transport, utilities and social infrastructure essential to the achievement of sustainable development objectives but also for the marketing of completed homes. Developers are unlikely to commit finance to speedy development when there is uncertainty as to the phasing of the completion of these essential 'ancillary' services.

The report appears to assume that a wider range of providers will provide a wider range of housing outputs without explaining how this follows. The report makes no reference to the fact that Local Planning Authorities have the statutory responsibility for assessing the range of housing requirements in their area through a Strategic Housing Market Assessment, which may be undertaken jointly with neighbouring authorities within a 'housing market area' and have a responsibility to ensure residential development is undertaken (or at least permitted) which responds to these assessed requirements. Local Planning Authorities have the duty to allocate sufficient appropriate sites to meet these assessed requirements and to grant planning consent to schemes which contribute to meeting these requirements. Some Local Authorities need to be much clearer as to what their housing requirements are, both district wide and for specific sites. They also need in some cases to undertake much more systematic assessments of whether specific housing products meet priority requirements. This process has not been helped by the very broad definitions of 'affordable' housing introduced into planning policy by central government. The report refers to the need for diversity in design. Surely diversity in the range of housing needs met, in terms of tenure and price / rent, is more important. Innovative design can be welcome, but may also add cost to development with a negative consequence in terms of affordability of product to the prospective occupant. We need good design at the lower end of the housing market, and for rented homes, as well as for top-end products.

In our view, there is no necessity to introduce a new planning regime which introduces a 'diversification' requirement for major sites as proposed in section 3. Moreover, the proposal to introduce a new planning framework for sites above a certain threshold (a threshold of 1500 units is suggested in para 3.6) will lead to developers gaming the size of their planning applications on the basis of whether the large site or smaller site planning framework is most advantageous to them. The main reason we do not achieve either the quantum of housing completions required or the range of housing outputs required in relation to assessed requirements is not the plan-making system, but the constraints on the ability of the local authority to bring these plans into effect. This raises a number of issues not adequately considered by the Letwin review including a) the limited powers of a local planning authority to acquire land at a price that allows a range of housing outputs to be delivered; b) the lack of power to require planning consents to be built out within a specified timescale (as currently time limits only apply to start on site); c) the lack of capital subsidy to ensure that the required output of different types of sub-market housing, including social rented homes, is delivered; d) the ability of developers to argue, supported by existing government guidance, that viability in terms of lower than desired profit margins, is sufficient justification for not building the range of housing outputs required, and e) the lack of guaranteed funding for transport and social infrastructure necessary to make a development both sustainable and marketable.

Moreover, public land, including that owned by government departments, is often sold to the developer making the highest bid, irrespective of whether the developer's scheme will or will not provide the range of housing outputs required – a policy driven by the need to maximise short term receipts, even if at the expense of longer- term strategic planning and housing policy objectives. We strongly support the report's view that local authorities should have a more proactive role on land assembly and the management of development, and there are numerous examples of more

effective public sector led development, both in contemporary Europe and in past practice in the UK. These however were effective under governance and funding regimes which recognised the importance of democratically accountable and funded municipal led development, regimes which no longer exist within the UK local government structure.

These fundamental constraints will not be overcome by the intervention of the national 'expert' committee proposed in paras 3.9-3.12. As demonstrated by the past role of ATLAS, brokerage has its uses but cannot overcome fundamental differences of objectives between local authority and commercial developer or the lack of funding. Moreover, the notion of a national unaccountable expert body intervening in a manner which over-rides local planning policy requirements derived from a SHMA is anti-democratic.

We welcome the recognition that the cost of land acquisition for housing development in relation to existing use value should be capped. We do not however understand the logic of capping housing land value at 10 times existing use value as proposed in para 4.4. There is no justification for a landowner to achieve this level of asset appreciation as a result of a local authority allowing a change of land use. In our view, local authorities should have the power to compulsorily acquire land which is suitable for housing development at closer to existing use value.

While we welcome the intention of strengthening local authority powers to assemble land and manage phased development, we do not consider the establishment of new joint development vehicles as proposed in para 4.12a) necessarily to be the best option. Firstly, local authorities should be resourced to acquire land for housing development. It may be appropriate for local authorities to carry out development directly rather than rely on intermediaries over which they may have limited control. All developments, irrespective of developer should be fully compliant with the local authority's masterplan or site planning brief. New provisions for the appointment of a Local Authority Master Planner as proposed in para 4.12b) are not required. This should be standard practice and does not require any changes in the authority's planning powers. Where the local authority owns land and then disposes of it, whether under freehold or leasehold arrangements, the authority can impose conditions on disposal not just in relation to phasing of development, but in relation to initial sale price and resale price or in relation to occupation, including for example the nomination of purchasers. One new power which would however be useful would be the power for a local authority to take an equity stake in any private development as a condition of planning consent. This would ensure that a scheme was carried out in accordance with the consent granted, but would also allow a local authority to share in any value appreciation post planning-consent.

We would welcome further discussions with MHCLG officials responsible for preparing the Government's response to the Letwin review on any of the points raised in this response. We share the objectives of the report and would be happy to share with Government our views on the appropriate mechanisms to achieve the objectives, based on the extensive practical experience of group members.

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