

Housing, planning and infrastructure

Purpose of report

For direction.

Summary

At the Environment, Economy, Housing and Transport Board members agreed to discuss the housing and planning implications of the Budget 2017, the LGA's priorities in responding to them, and in putting forward its own agenda.

This paper summarises some of the key elements of the Budget 2017 proposals, how they fit with the Government's wider agenda, and seeks member steer on the priority work areas for the LGA moving forward.

Recommendation

That the Environment, Economy, Housing and Transport Board members consider and the questions on future LGA activity set out in paragraphs 14, 19, and 24.

Action

To be taken forward as directed by members.

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Background

1. At the last Environment, Economy, Housing and Transport Board members agreed to discuss the housing and planning implications of the Budget 2017, and the LGA's priorities in responding to them and in putting forward its own agenda.
2. This paper summarises some of the key elements of the Budget 2017 proposals, how they fit with the Government's wider agenda, and seeks member steer on priority work areas for the LGA moving forward.

Planning policy and the forthcoming review of the National Planning Policy Framework (NPPF)

3. The Board has had some lobbying success on planning policy over the last year, for instance the Government has increased national planning fees, dropped starter home requirements and plans to introduce competition into the planning system, and increased its focus on ensuring homes with planning permission are built out.
4. It has achieved this through advancing the discussion with Ministers and Civil Servants and developing a robust evidence to reinforce the sector's case on priority issues. For instance recent work includes research on the scale of permitted development, on the true number of unimplemented permissions, and on the funding gap within planning departments.
5. However, there are a range of further planning reforms introduced by the Budget 2017, and the Housing White Paper before it, on which the Board may want to further advance the sector's case for a locally-led planning system with the powers and resources to deliver for local communities.
6. It is likely that many of the Government's proposals will be included in the revised NPPF which is due to be published for consultation this year. Proposed planning reforms within the Budget include:
 - 6.1. Strengthening the housing delivery test, with tougher consequences where planned homes are not being built, by setting the threshold at which the presumption in favour of development applies at 75 per cent of housing delivery by 2020.
 - 6.2. Expecting local planning authorities to bring forward 20 per cent of their housing supply as small sites.

- 6.3. Strengthening policy to be clear that allocated land should be taken out of a plan if there is no prospect of a planning application being made.
 - 6.4. A new policy whereby local planning authorities will be expected to permission land outside their plan on the condition that a high proportion of the homes are offered for discounted sale for first-time buyers, or for affordable rent. This will exclude land in the Green Belt.
 - 6.5. Minimum densities for housing development in city centres and around transport hubs, with greater support for the use of compulsory purchase powers for site assembly.
7. With regards conversions the Government will consult on:
- 7.1. Policy changes to support the conversion of empty space above high street shops.
 - 7.2. Policy changes to make it easier to convert retail and employment land into housing.
 - 7.3. A permitted development right to allow commercial buildings to be demolished and replaced with homes.
8. With regards developer contributions the Government will consult on:
- 8.1. Remove restriction of Section 106 pooling towards a single piece of infrastructure where the local planning authority has adopted the Community Infrastructure Levy (CIL).
 - 8.2. Speed up the process of setting and revising CIL and allowing authorities to set rates which better reflect the uplift in land values between a proposed and existing use.
 - 8.3. Changing indexation of CIL rates to house price inflation rather than build costs.
 - 8.4. Give Combined Authorities and joint planning committees with statutory plan-making functions the option to levy a Strategic Infrastructure Tariff.
9. With regards build out rates the Government announced:
- 9.1. A review led by Rt Hon Sir Oliver Letwin MP, to look at the significant gap between housing completions and the amount of land allocated or permissioned for development, and to make recommendations for closing it.

- 9.2. It will develop a central register of residential planning permissions from local planning authorities to improve information on where permissions are held and progress towards them being built out.
10. At the Budget the Government also announced plans to consider intervention in 15 areas where the local planning authority has not put an up-to-date plan in place. It is not yet clear what action the Government will take.
11. Since the Budget the Secretary of State has also announced plans to amend the NPPF to promote upward extensions.
12. The announcements within the Budget are set alongside other planning reforms being taken forward from the Housing White Paper on which the Board has developed policy positions, predominantly through consultation responses, including on:
 - 12.1. Introducing the new standardised national methodology for determining local housing need
 - 12.2. Giving local planning authorities the opportunity to have their housing land supply agreed on an annual basis and fixed for a one year period
 - 12.3. Proposed approaches to viability, including transparency
 - 12.4. Statement of Common Ground
 - 12.5. Introducing an uplift in national planning fees of 20 per cent, and consultation on potential for increases of a further 20 per cent.
 - 12.6. Planning for Build to Rent
 - 12.7. Enabling councils to establish local development corporations to bring forward new settlements
 - 12.8. Enabling Spatial Development Strategies to be developed by Combined Authorities or Mayors to allocate strategic sites for development.
13. As previously directed by the Board, the LGA is undertaking a range of activity focusing on ensuring homes with planning permission are built out, on permitted development, on resourcing, and looking at how councils and developers can work positively together to build homes and prosperous places.
14. **The Board's views and agreement are now sought on the proposal that:**

- 14.1. The LGA continue its discussion with councils and the Government to influence the range of different planning policy proposals in advance of the draft NPPF, and in ways that make the proactive case for a locally-led, stable and sufficiently resourced planning system.
- 14.2. The LGA make the case for councils to have the levers necessary to meet accountabilities set out in the delivery test, including giving councils the powers to ensure developers build homes with planning permission within a reasonable timeframe, and in acknowledging wider economic impacts on developers and housing markets.
- 14.3. The LGA further build the case for ending the use of permitted development rights, including through gaining greater evidence on the unintended consequences for local communities and economies.
- 14.4. The LGA focus on building the case for reviewing the viability system to ensure that councils have the tools to ensure new development includes the necessary levels of affordable housing, infrastructure and investment in services, and is good quality and sustainable.
- 14.5. The LGA continue to call for a further uplift in national planning fees and for allowing councils to set planning fees locally in order to achieve full cost recovery.

Investment in housing and infrastructure

15. The Board led the LGA Housing Commission which made a number of recommendations on the need for greater up-front investment into infrastructure and house building, with greater focus on social rent.
16. As part of the Budget the Chancellor summarised a range of funding programmes available to support councils and partners to build homes, and announced some additional funding. This includes:
 - 16.1. A further £2.7 billion to the competitively allocated Housing Infrastructure Fund (HIF) in England, taking the total investment in local authority projects from the HIF to £5 billion.
 - 16.2. The provision of £1.1 billion for a new Land Assembly Fund, focused on enabling Homes England to work alongside private developers to develop strategic sites, including new settlements and urban regeneration schemes.
 - 16.3. The provision of £630 million to accelerate the building of homes on small stalled sites, by funding on-site infrastructure and land remediation.

- 16.4. A further £1.5 billion for the Home Building Fund, providing loans specifically targeted at supporting SMEs who struggle to access finance to build.
 - 16.5. Confirmation of the further £2 billion of funding for affordable housing announced in October, including funding for social rented homes.
 - 16.6. £400 million of loan funding for estate regeneration to transform neighbourhoods and provide new homes in high-demand areas.
17. As previously directed by the Board, the LGA continues to work with councils, the Government and partners to explore how, through housing and devolution policy, councils and local partners can be enabled to make best use of the Government's capital investment.
18. To note, the LGA People and Places Board continues to advance the case for ensuring areas have fast and reliable broadband and mobile connectivity. It has recently established a digital connectivity working group to address the area. Amongst the issues it will explore is the provision of fixed line connectivity to new builds.
- 19. The Board's views and agreement are now sought on the proposal that:**
- 19.1. The LGA work with Homes England to develop the case for all councils to have the powers to access and combine funding in different ways that best deliver homes, jobs and growth, and seek greater clarity from the Government on its plans for housing deals.
 - 19.2. The LGA call for additional flexibilities to use grant investment in housebuilding and infrastructure to deliver products where there is unmet local housing need, for instance social rent, older people's housing, new models of affordable housing.
 - 19.3. The LGA work with councils to explore other financial flexibilities that allow councils to leverage investment into infrastructure, for instance models for land value capture, or the flexibility to borrow against CIL income.

Council housebuilding through the Housing Revenue Account (HRA)

20. The Board has helped shape a national public narrative that better appreciates the need for council house building. It has had some lobbying success including the Government's decision to drop the Pay to Stay policy, to continue to defer plans to force the sale of higher value council homes, to provide some social rent certainty from 2020-25, and to not apply the Local Housing Allowance to social rents from 2020.

21. Furthermore in the Budget 2017 the Chancellor announced a lifting of the Housing Revenue Account borrowing caps for councils in areas of high affordability pressure so they can build more council homes. Local authorities will be invited to bid for increases in their caps from 2019/20, up to a total of £1 billion by the end of 2021/22. The Government also confirmed it will monitor how authorities respond to this opportunity and consider whether further action is needed.
22. However, there remains significant challenges for councils wanting to build homes through their Housing Revenue Account, including the sustainability of Right to Buy and rules around receipt retention, restrictions on the use of receipt and requirements on the use of the receipt within three years, and on the size of the discount, the overall borrowing restrictions, rental uncertainty after 2025 and within Universal Credit, and the remaining possibility of the forced sale of higher value council home sales.
23. As previously directed by the Board, the LGA is working with councils and the Government to continue explore these issues and new routes for enabling councils to build more homes through their Housing Revenue Account, as well as outside the HRA.
- 24. The Board's views and agreement are now sought on the proposal that:**
 - 24.1. The LGA seek to ensure that all councils have maximum opportunity to seek available HRA headroom with no conditions, that they can to use it with grant and Right to Buy receipts, and that they can have additional flexibilities that enable delivery. And that the Government move quickly to provide councils with this opportunity.
 - 24.2. The LGA further establish and advance the case for enabling all councils to build additional homes through the Housing Revenue Account, including looking at borrowing, rents and continuing to explore how Right to Buy can be put on a more sustainable footing to deliver genuine one for one replacement.
 - 24.3. The LGA deliver a project building the wider economic, social and public service case for enabling councils to build more homes that are affordable and additional to delivery by the private and housing association sectors.

Next steps

25. To be taken forward as directed.