Speeding-up the build out of sites with planning permission

Purpose of report

For discussion.

Summary

Oliver Letwin is leading a review into the build out of large sites with planning permission on behalf of Her Majesty’s Government. This has long been an issue around which the LGA has called for greater attention. This report introduces a number of issues in relation to the build-out rates of sites with planning permission, both in order to support a conversation with Oliver Letwin and to set the direction for future LGA work.

Recommendation

That the Board consider and agree recommendations set out in paragraph 11.

Action

Officers to take forward as agreed.

Contact officer: Nick Porter

Position: Senior Adviser - Housing

Phone no: 020 7664 3113

Email: nick.porter@local.gov.uk

Speeding-up the build out of sites with planning permission

Background

1. In January 2018 the Ministry of Housing, Communities and Local Government (MHCLG) announced a review on the delivery of housing on sites that have planning permission, chaired by Sir Oliver Letwin MP.
2. This has long been an issue around which the LGA has called for greater attention.

Issues

1. The LGA continues to argue that the planning system is not a barrier to development. Councils are approving nine in 10 permissions, and the vast majority of negative decisions are backed by inspectors if appealed by the applicant.
2. In 2016/17 councils granted permission for 321,202 new homes, up from 204,989 the year before, reflecting their work with developers as the industry continued to recover from the great recession. This has similarly led to an increase in the number of unbuilt homes with permission, up to 423,544 in 2016/17 from 365,146 the year before. It now takes, however, 40 months on average from schemes receiving permission to building work being completed. This is eight months longer than in 2013/14.[[1]](#footnote-1)
3. House building is complex and the build out of sites has been the subject of debate for councils, developers and commentators for some time. In addition to work by the LGA, notable investigations have been undertake by KPMG/Shelter[[2]](#footnote-2), Lichfields[[3]](#footnote-3), Barratt[[4]](#footnote-4), Home Builders Federation[[5]](#footnote-5) and Savills[[6]](#footnote-6).
4. A review of these studies reveals a complex issue influenced by a wide range of factors, reducing the debate to a binary argument between ‘land banking’ on one hand and complaints on the planning system on the other, would oversimplify the issue.
5. Broadly speaking there is some level of agreement that build rates are linked to a housing system that increases land prices for sites to a point that impacts on the financial and delivery models by house builders purchasing land with inflated values.
6. The interim findings of the Letwin Review panel (Annexed) - while focusing on large sites and on matters that are beyond the planning system - has similarly suggested that:

“The fundamental driver of build out rates once detailed planning permission is granted for large sites appears to be the ‘absorption rate’ – the rate at which newly constructed homes can be sold into (or are believed by the house-builder to be able to be sold successfully into) the local market without materially disturbing the market price”[[7]](#footnote-7).

1. The Letwin Review offers an opportunity to change the conversation on unimplemented permissions to focus on delivery and to challenge the notion of planning being the primary barrier, and to instead treat the planning system as an enabler of development that is built out in a timely fashion, that is well-designed and good quality, and that meets the wider needs of individuals, communities and economies.
2. Crucially, the findings of the Letwin Review should influence proposals within the draft National Planning Policy Framework (NPPF) to introduce a new delivery test taking punitive action against councils where housebuilders fail to deliver the number of homes that a national formula says each place must deliver. It is critical that councils have the range of tools and powers to deliver on new accountabilities, including to ensure the development of sites for which they have granted permission.

**LGA action – proposed next steps**

1. The Board is asked to comment on the proposed set of policy recommendations and actions:
   1. Continue to engage with the Letwin Review team following the EEHT Board discussion.
   2. Broker a series of workshops with councils, housebuilders, and the MHCLG to positively and practically explore options speeding up build out rates.
   3. Develop detailed policy propositions for new powers to councils to ensure build out rates, such as new Compulsory Selling Orders requiring developers to sell land it has failed to develop within a reasonable period.
   4. Build a case, in following on from the NPPF, for a realistic delivery test that is focused on what is within the direct influence of councils such as the number of permissions.
   5. Publish and share good practice from councils that are working with developers in seeking to build out new homes more quickly, for instance making requirements in Section 106 agreements, using planning conditions or planning enforcement powers.

Financial Implications

1. None

Implications for Wales

1. There are no specific implications for Wales.

Appendices

1. Appendix A - Letter from The Rt Hon Sir Oliver Letwin MP

Next steps

1. Officers to take forward actions as directed by the Board.

1. LGA Glenigans, Unimplemented Planning Permissions, February 2018 <https://www.local.gov.uk/about/news/more-423000-homes-planning-permission-waiting-be-built> [↑](#footnote-ref-1)
2. *KPMG SHELTER (2015) Building the homes we need A Programme for the 2015 Government . Available at:* <http://www.shelter.org.uk/__data/assets/pdf_file/0019/802270/Building_the_homes_we_need_-_a_programme_for_the_2015_government.pdf> [↑](#footnote-ref-2)
3. Nathaniel Litchfield & Partners: TRIP Targeted Research & Intelligence Program [2016] Start to Finish: How Quickly do Large-Scale Housing sites Deliver? Available at: <http://lichfields.uk/media/1728/start-to-finish.pdf>. [↑](#footnote-ref-3)
4. Barratt Developments Plc and Chamberlain Walker [2017] *The Role of Land Pipelines in the UK Housebuilding Process.* Available at: <https://cweconomics.co.uk/wp-content/uploads/2017/10/CWEconomicsReport_Land_Banking.pdf> [↑](#footnote-ref-4)
5. Home Builders Federation [2015] *Solving England’s Housing Supply Crisis: The Contribution of the Private Sector.* Available at: <http://www.hbf.co.uk/fileadmin/documents/Policy/ELECTION_2015/HBF_Report_-Solving_England_s_Housing_Supply_Crisis_-_March_2015.pdf>. [↑](#footnote-ref-5)
6. E. Williams [2016] *Stuck in the Planning Pipeline,* Savills. Available at:<http://www.savills.co.uk/research_articles/141285/2021400%20and%20the%20findings%20and%20reference%20the%20LGA%20work%20that%20inspired%20it> [↑](#footnote-ref-6)
7. Ministry of Housing, Communities & Local Government [2018] *Independent review to tackle barriers to Building.* The Rt Hon Sajid Javid MP. Available at: [3](https://www.gov.uk/government/news/independent-review-to-tackle-barriers-to-building) [↑](#footnote-ref-7)