

Briefing Paper

Housing and Growth

October 2012

Introduction

On 6th September 2012, Prime Minister David Cameron, Deputy Prime Minister Nick Clegg and Secretary of State Eric Pickles, set out a major housing and planning package that included:

- A £40billion guarantee for major infrastructure projects and £10billion to housing associations and developers for new homes.
- Up to 70,000 new homes, including affordable housing and opportunities for first-time buyers to get onto the housing ladder. The affordable homes will be supported with £300million in capital funding for 15,000 affordable homes and 5,000 empty homes.
- An additional £280million for the Firstbuy scheme for first time buyers
- £200million for the private rented sector.
- Developers to be allowed to renegotiate section 106 agreements to start stalled schemes and measures to reduce planning delays.
- 140,000 jobs and a boost to the construction sector

This new package is said to include a series of measures aimed at supporting businesses, developers and first-time buyers, while slashing unnecessary red tape across the planning system.

Guarantees for Private Rented Housing

The private rented sector has grown rapidly in recent years and now houses 3.6million households, compared to two million in the early 1980s. The government considers that it already provides good quality homes for many young people, professionals and families; and that the provision of good quality rented homes is a fundamental part of supporting a young dynamic workforce and millions of other people, as well as increasing the overall supply of housing.

However the Government also considers that private rented sector growth has been constrained by the lack of large scale investment. The Government invited Sir Adrian Montague to report on the barriers to institutional investment and they intend to take up his key recommendation. On 6 September 2012 the Government announced that it will be investing £200 million in housing sites to ensure that the high-quality rented homes that are needed are available to institutional investors quickly.

The Government will establish a taskforce to bring together developers, management bodies and institutional investors to broker deals and deliver more rented homes.

The Government will use its fiscal credibility to pass on lower costs of borrowing to support the long-term delivery of new rental homes. To give institutional investors the assurance they need to invest in this area they will be issuing a debt guarantee for up to £10billion. Under the scheme, the Government will enable providers to raise debt with a Government guarantee, where they commit to investing in additional new-build rented homes.

The Government intends to issue debt guarantees to support the building of new build housing for the private rented sector. The principles for this guarantee are:

- Funding that is raised through debt issues will be used to help purchase newly built homes.
- Rental income will then be used to service the reduced borrowing costs available through the guarantee.

The guarantee is designed specifically to attract fixed income investors, seeking a stable long term return on investment, but who desire to be insulated from property, commercial and wider market risk. The Government guarantee will provide this insulation, guaranteeing long term debt (up to 30 years).

From 6th September 2012, companies and potential joint ventures will be able to submit an expression of interest in advance of a formal bidding round to be launched this autumn. Subject to passage of legislation, it is expected that the guarantees proposed will be in place to enable borrowing from early 2013.

Scheme participants will commit to purchase an agreed number of new built rented homes in exchange for benefiting from the guarantee.

The Government intends that this proposal will work with the market and support institutional investment into the sector over the medium term, through the establishment of a new debt aggregator vehicle. Over time the Government anticipate that the performance of the aggregator body and its underlying borrowers will demonstrate the commercial attractiveness of investing in private rented housing and boost total investment in private rented housing in England.

Guarantees for Affordable Housing

The need for affordable housing remains high. The government will therefore be extending the use of guarantees to cover borrowing needed to deliver more affordable homes. Building on the success of the Affordable Homes Programme, the Government will invite bids to provide an additional 15,000 affordable homes through the use of loan guarantees, asset management flexibilities and some capital funding. The Government also intend to extend their successful refurbishment programme to bring an additional 5,000 existing empty homes back into use. In total the Government will invest another £300million.

The Government will announce further details in the autumn. Subject to passage of legislation, it is expected that the guarantee will be in place to enable borrowing from early 2013.

Scheme participants will need to commit to deliver an agreed number of new affordable homes in exchange for benefiting from the guarantee and other elements.

The Government will be inviting providers to put forward offers of new supply and proposals on how they will use new flexibilities. These include the guarantee, conversion of a proportion of existing social rent homes to affordable rent at re-let to unlock further financial capacity for investment in new supply, and some capital funding where necessary. While Government support will be available, the Government say that they would expect this to be lower than in previous programmes given the reduced costs of borrowing that participants will be able to access through the guarantee.

The Government have stated that they will prioritise bids that offer best value for money, utilising the guarantee to minimise the need for government support, and where development can be delivered within this spending review period.

The Guarantee

The Government guarantee will cover the repayment of both the coupon and principal of debt used to support investment in new affordable housing. From the fixed income investor's perspective, this guarantee is not influenced by the performance of the scheme in terms of the performance of the properties, rental yields or void rates. The guarantee is subject to European Union state aid clearance.

Registered providers that will deliver and be the owners and managers of new build rented property could benefit from:

- Lower costs of borrowing;
- Attracting long term, low risk investment; and
- A debt aggregator platform which could help smaller organisations access capital markets and institutional investment over longer term

Only a quarter of the £10billion guarantees that will be offered will be available for affordable housing. The remainder is expected to be made available for developers to drive the expansion of the private rented sector. However, registered providers will only be expected to pay an administration fee above the cost of the bonds whereas private developers will be expected to pay an appropriate commercial fee. The government is inviting bids from financial institutions to administer the scheme: one for social landlords and the other for private developers.

Empty Homes

The government will invest a further £300million to deliver an additional 15,000 affordable homes and bring 5,000 empty homes back into use. This funding will be made available alongside the loan guarantee and asset management flexibilities.

Helping First Time Buyers

The government will allocate an additional £280million to extend the Firstbuy scheme until March 2014. The government calculates that this will allow up to 16,500 first time buyers to purchase a home.

Getting Surplus Public Sector Land back into use and accelerating large housing schemes

The government will accelerate the release of surplus public sector land by strengthening the role of the Homes & Communities Agency through a targeted programme of transfers from other government departments and agencies. The Homes & Communities Agency will accelerate disposals by preparing land for market and providing a single 'shop window' for all surplus public sector land.

The government will work in partnership with local authorities, scheme promoters and communities to accelerate delivery of large scale housing schemes and convene an industry led group to consider the barriers to off site construction.

Reducing Planning Delays

The government will legislate to allow applications to be decided by the planning inspectorate rather than the local planning authority. This will be in cases where the local authority has demonstrated a track record of consistently poor performance in the speed or quality of its decisions. To support this, the government will require more transparent reporting of councils' performance on planning including the increased use of planning performance agreements.

The inspectorate will be given additional powers to initiate an award of costs where an application has not been handled with due process by the local authority. To cope with the increased burden, the Inspectorate has been instructed to prioritise resources towards major housing and economic related appeals.

The government will consult on options to speed up the appeals process.

A measure that allows developers the chance to seek additional time to start on site before their planning permission expires will be extended for an additional year.

Reducing the cumulative burden of red tape

The government is intending to allow developers to appeal the affordable housing element of section 106 planning agreements where they claim that schemes are rendered unviable. In each case, the inspectorate will assess how many affordable homes need to be removed to make the site viable in current economic conditions. The revised agreement will last for three years. The government will legislate to put appeal powers in place by early 2013. It is also consulting on allowing developers to negotiate non-viable section 106 agreements entered into prior to April 2010.

The government has also announced a fundamental and urgent review to rationalise national and local building standards. The review will deliver a clear plan of action by spring 2013, including legislation if rationalisation cannot be agreed by the owners of different standards.

Supporting Locally led Delivery

The government will encourage councils to use flexibilities in the National Planning Policy Framework to redefine the green belt in their areas to reflect local circumstances. In particular, councils will be encouraged to put brownfield sites within the green belt to a more productive use. In return, the government will support councils to move quickly through the plan making process by prioritising their local plan examination.

Getting empty offices into use and permitted development rights

The government will allow offices and other commercial properties to be converted into residential units without the need to apply for planning permission. Permitted development rights will be introduced but local authorities can apply for a local exemption where they can demonstrate it will have an adverse economic impact.

The government will also consult on changes to increase permitted development rights for extensions to homes and business premises in non-protected areas for a three year period.

Reaction to the Announcements

Homes and Communities Agency

The Homes and Communities Agency welcomed its investment and delivery role in the new Government initiatives announced to further boost housing and growth.

As a Government's delivery Agency the Homes & Communities Agency considers that it is well placed to support Government aspirations for housing and growth.

Pat Ritchie, Chief Executive of the Homes & Communities Agency stated;

"Government has shown its commitment to housing and development as a major route to driving economic growth. And I welcome the confidence Ministers have shown in the Homes & Communities Agency's ability to deliver their key initiatives, supported by new investment.

"Many of the measures announced are core business for the Homes & Communities Agency. They build on our expertise and record of successful delivery. I welcome the additional funding for the Homes & Communities Agency and Government's clear intention to strengthen the Agency's role in bringing forward public sector land for development, creating a single 'shop window' for developers looking for new opportunities.

"We also welcome the Government's aspiration for 5,000 new homes for private rent, giving a boost to developers and greater choice for consumers, and will work with them using our experience of the private rented sector and of equity investment and loan programmes such as Get Britain Building. And we will move quickly to allocate our additional FirstBuy funding - which will be welcomed by the sector - to maximise the benefit to the house building industry and first time buyers.

"(The) measures represent a significant new opportunity to maximise delivery of new homes and growth in local communities."

The Homes & Communities Agency will have a role in a number of the initiatives announced:

- Investment of £300million for up to 15,000 new affordable homes - linked, along with delivery of private rented housing, to a £10billion guarantee scheme for housing associations, developers and property management companies - and to bring 5,000 empty homes back into productive use in local communities;
- Moves to strengthen the Homes & Communities Agency's role in increasing the amount of public land available for development and increasing the speed at which it is made available, through a planned programme of transfers from Government departments and other public agencies;
- An additional £280million of FirstBuy funding - matched by private developers - to extend the Homes & Communities Agency's existing scheme for a further two years to 2014, helping to meet the aspirations of up to 16,500 first time buyers to own their home.
- Mediation of section 106 agreements between councils and developers with stalled sites in advance of legislation in 2013 for a new appeal process for developers.

The Homes & Communities Agency also called for clarity regarding how social landlords could use the £10billion of government guarantees; amidst concern that some housing associations are planning to use the guarantees to fund existing development plans or to refinance existing debt. It is understood that the guarantees, along with £300million in new capital funding, will be ring-fenced for the building of up to 15,000 new homes in addition to existing development programmes. The agency is concerned that housing associations may wait until the guarantees are in place before raising new loans.

Local Government Association

The Local Government Association considers that the planning system is undeniably playing its role in promoting growth and Councils are overwhelming saying 'yes' to much needed housing development and economic growth. Removing affordable housing requirements will not, therefore, make it easier for developers to sell houses more cheaply, and so will not address the underlying wider economic issues that are stalling development.

The stalled economy is stifling demand and much needed development is being held up because buyers can't buy and developers can't sell. The Local Government Association considers that the number one priority should be to improve access to mortgages and finance for development. The Government's stimulus package for house building and support for first time buyers recognises that.

Councils have a strong track record in using the planning system to bring forward much needed homes and development, hitting a ten year high last year for the proportion of residential applications accepted. This trend has looked even more promising since the implementation of the National Planning Policy Framework. There is a building backlog of 400,000 homes with planning permission that haven't yet been built. That's an estimated three and a quarter years worth of house building that demonstrates clearly that planning is not the problem.

Development is held up by buyers' inability to buy at current prices, and developers' inability to sell at less than current prices. The Local Government Association considers that changes to the Section 106 system for developer contributions to housing related infrastructure will not make it easier for developers to sell houses more cheaply, so will not help. They consider that the wider market issues relate to demand and access to mortgage and development finance.

Councillor Sir Merrick Cockell (Conservative), Chairman of the Local Government Association, said:

"The stalled economy is stifling demand in the housing market, and much-needed development is being held up because buyers can't buy and developers can't sell.

"We urgently need to improve access to mortgages and finance for development. The Government's stimulus package for house building and support for first-time buyers is recognition of that.

"Local authorities are overwhelmingly saying 'yes' to new development. There are enough approvals in the system for 400,000 new homes and more than three years of building. The latest figures on councils' planning approval rates show that they are at a 10-year high, and have accelerated since the National Planning Policy Framework was introduced earlier in the year. The planning system is clearly not the problem.

"Removing affordable housing requirements will not make it easier for developers to sell houses more cheaply, and so will not address the underlying wider economic issues that are stalling development.

"The perception that councils are asking for unaffordable 'nice to have' add-ons through these requirements is wrong. In addition to much-needed affordable housing, section 106 agreements also fund roads and even new schools to support developments. There will be no economic growth if the people who live in the new houses haven't got a road to get them to work, or if we don't build social houses for low-paid workers.

"Councils are being flexible and, where appropriate, have already renegotiated some deals which would otherwise have stalled. Those local renegotiations are the best way of sorting out problems where developers are in difficulty. It will undermine local people's confidence in the planning system if developers can go running to Whitehall at the first hint of trouble.

"There is also a danger that reopening agreements to fund vital local projects would endanger the current record levels of willingness to give consent to development for the future. The Government has to be careful to avoid creating a situation which could mire future planning decisions in acrimonious challenges and judicial reviews which could slow the planning approval process.

"Any amendments to local planning rules, such as making it easier for residents to make changes to their homes, must ensure councils retain enough powers to maintain and improve the character and integrity of local areas."

The Local Government Association's detailed response is as follows:

- The private rented sector has a key role to play in providing new homes and it is helpful that the government is providing funding to encourage institutional investment in this area.

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- New rented homes are needed both in the market rent and affordable sectors and councils will seek to ensure more homes are available in both parts of the market.
- Demand for affordable homes is growing: councils' waiting lists now stand at 1.84m households in 2011 and the number of extra units envisaged by the government needs to be set in that context and in concert with the announcements which may see crucial affordable housing removed through amended Section 106 agreements.
- It is crucial that this funding is deployed quickly to allow investment in badly needed affordable homes. The quickest way to do this is to devolve it to local authorities who can work quickly with developers, housing providers and directly to deliver bricks on the ground.
- Section 106 agreements also deliver wide ranging crucial infrastructure. Reconsideration of affordable housing elements of section 106 raises questions about the relative importance of affordable housing in comparison to the other things that Section 106 pays for.
- It is helpful that the government is extending its focus on bringing empty homes back into use. Councils play a crucial role in making the refurbishment schemes proposed a success and should be eligible to participate and play a key role in the delivery of this programme.
- The extension of the First Buy Scheme is helpful. This must be viewed against the significant challenges to get on the property ladder, for example the average deposit for a first-time buyer is over £26,000, doubling since 2007 in a period when the average first time buyer income has declined.
- It is helpful that the government is considering measures to kick start the construction industry in the round. However, the fundamental barrier is access to development and mortgage finance.
- We have significant concerns about accountability and certainty for players within the system if ministers wish to make the infrastructure regime discretionary at its boundaries.
- It is helpful that the government is moving to a coordinated mechanism to accelerate the release of its land holdings. It is crucial that local authorities are closely involved in discussions concerning the release and use of land so that the public sector estate as a whole can be used to best effect.
- There is a paradox in suggesting that the government's Planning Inspectorate should intervene to speed up some council decisions and simultaneously announcing that the Planning Inspectorate's own appeals process is too slow.
- Councils currently decide 82% of applications within 8 weeks and 93% within 13 weeks. At the same time council budgets have been cut by at least 28% in real terms over the course of the spending review. Importantly, planning fees are capped at less than the cost of providing the service.

- It makes more sense to prioritise proper funding for swift decisions than expanding a quango to run appeals and take away decision making from democratically elected councillors and communities and increase the cost of appeals. We would query the current capacity of the Planning Inspectorate to be able to undertake this role currently in a way that speeds up decision making overall. We are seeking clarification from government on the performance targets they are considering.
- Councils are already using the planning system effectively to bring forward much needed growth. Last year councils hit a ten year high in the percentage of applications approved for all types of development (with 87% of applications receiving approval). In 2011/12 this equated to an estimated 2,536 residential schemes granted planning permission. There are an estimated three and a quarter years worth of homes in unimplemented units, based on the number of completed dwellings in England and Wales in 2011/12. This shows local authorities are overwhelmingly saying 'yes' to viable and sustainable residential development through the planning system.
- It is important that measures that will see the Planning Inspectorate prioritise all major and housing related appeals do not divert limited capacity away from their role examining local plans.
- It is helpful that the government has responded to Local Government Association campaigning to extend the flexibility to ensure that planning applications that are due to expire can be extended quickly and easily.
- Development is held up by buyers' inability to buy at current prices, and developers' inability to sell at less than current prices. Changes to Section 106 will not make it easier for developers to sell houses more cheaply, so will not help. The wider market issues relate to demand and access to mortgage and development finance.
- Nor can it be assumed that it is affordable housing that is causing the problem in unlocking stalled sites. Registered providers are working closely with developers to make this section of the development viable. Building market housing at a cost people can afford (and access mortgages for) which also deliver an acceptable rate of return for the developer is the crucial issue which needs to be addressed.
- Any perception that councils are asking for unaffordable 'nice to have's' through planning which in these difficult times is rendering development unviable is wrong. In addition to much needed affordable housing, Section 106 agreements also fund roads, street lights, new schools, and other facilities needed to support new development, access jobs and unlock further economic activity.
- Councils set local policies for section 106 agreements which are based on statutory tests that the obligations should be reasonable, necessary and related to the development – they must be convinced that the development should not receive planning permission if the conditions are not met.
- Councils are being flexible and, where appropriate, have renegotiated some deals which would otherwise have stalled. Those local renegotiations are the best way of sorting out problems where developers are in difficulty.
- When using the new proposals to seek the removal of crucial affordable housing, developers will need to be open and transparent about profit margins and viability.

- Suitable land is a scarce resource in some areas of the country and it is right that any decision over the revision of Green Belt designation should be taken forward through the local plan process which ensures that local people are provided with an opportunity to have a say over development in their area. It would speed up the process even more if there was a leaner planning process for local plan preparation.
- Councils have a strong track record in dealing with planning applications quickly and efficiently. Over 70% of minor applications are decided by councils within an 8 week timescale.
- Any amendments to local planning rules must ensure councils retain enough powers to maintain and improve the character and integrity of local areas for the benefit of business and communities. Consideration of these issues is central in democratically elected councillors' minds when considering these applications under the existing system. The Local Government Association will be seeking further clarification from government on this issue and will provide further details in due course.

National Housing Federation

The National Housing Federation responded as follows:

- The Federation welcomes the investment to bring forward the delivery of homes for market rent. This can play an important role in helping to reduce development risk, boost returns and attract investors once the development is complete. It recognises that most institutional investors don't want to assume development risk, preferring to take on completed schemes.
- The creation of a taskforce has the potential to be positive and the National Housing Federation will work to ensure that housing associations are represented. The Montague Review made special mention of the potential of housing associations to become key players in the development of market rented housing. Involving housing associations in this taskforce would allow it to benefit from their expertise as property managers, as well as the existing confidence investors already have in the sector.
- The National Housing Federation also welcomes the provision of a debt guarantee for organisations that commit to delivering new-build rented housing. Housing associations already access debt finance at highly competitive rates, but the National Housing Federation hopes that the guarantee will give further confidence to investors and further reduce the cost of this funding.
- If the guarantee mechanism is kept as simple as possible and free from unnecessary conditions, it will have greater potential to boost borrowing capacity, allow housing associations to seek additional funding and add to existing development programmes. By providing the guarantee to cover long-term debt, the Government will match the typical borrowing pattern of the sector.
- The National Housing Federation is supportive of the flexibility to use the guarantee to support the delivery of all tenures – market rent, affordable rent and affordable home ownership – as a way to boost its attractiveness and effectiveness. It will also help to avoid the carry costs associated with raising finance separately for each tenure.

- Housing associations typically issue bonds at 1.5% to 2.75% over gilts (an all-in cost of between 4.5% and 5.75%). Other European governments' provisions of guarantees for debt financing have reduced bond yields by between 1% and 1.5%. Within the United Kingdom, Network Rail benefits from a similar guarantee and their bonds are issued at a rate of 0.5% over gilts (or 3.5%). If we assume a similar impact for government guaranteed housing association bonds, borrowing costs may be as low as 3.5% to 4%.
- The capital investment of £300million in affordable housing is a welcome boost to the Affordable Homes Programme that had seen a cut 63% in real terms. An additional 15,000 affordable homes will make a valuable contribution to housing supply and the National Housing Federation is confident housing associations have the financing in place to deliver this quickly. It is likely that this funding will be made available, alongside guarantees and asset management flexibilities, for housing associations to bid for under similar arrangements as the current Affordable Housing Programme.
- Any measure intended to help first-time buyers onto the housing ladder at a time when house prices are out of reach of the majority and mortgage availability remains constrained is to be welcomed. The extension of FirstBuy, that has already proved popular with purchasers, is a positive step. It, along with shared ownership, continues to experience high demand as people on low-to-middle incomes are priced out of owning their own home. Housing associations are well placed to take advantage of this new funding.
- The Federation supports the decision to speed up the release of public sector land. It has enormous potential to bring forward new supply quickly, create jobs and boost the economy. While the Government's long-stated ambition to release public land with enough capacity to build up to 100,000 new homes by 2015 is admirable, it has delivered few homes on the ground.
- The National Housing Federation has consistently called on the Government to introduce a targeted release of small, non-strategic parcels of previously developed public land, which it has identified as being twice the size of Leicester and therefore in no short supply. These sites that can accommodate up to 100 homes can be developed at a much quicker rate than large, complex schemes. Unlike larger sites, they do not require significant site assembly or infrastructure development and do not tend to experience lengthy planning processes. The National Housing Federation has previously identified growth areas that could support this approach. Accelerating these sites would help to deliver the growth and new homes in the next year rather than the next Parliament. The National Housing Federation believes that these sites could be fast-tracked through an innovative, open competition.
- The National Housing Federation supports the Government's ambition to accelerate large housing schemes, as they have a key role to play in delivering the scale of new homes required. Their members are ready and willing to work with local stakeholders to ensure that these schemes cater for the full range of housing needs in the local area.
- The National Housing Federation knows that many local authorities are working hard in the face of continual planning reforms to make speedy and sound planning decisions. As recent Local Government Association research suggests, it is often not the speed of consent but the lack of development finance and mortgage availability that hampers development. That said, the National Housing Federation supports moves to further incentivise local authorities to be good development partners and work with developers to ensure swift delivery of urgently needed homes.

- Ensuring that appeals are concluded more quickly could reduce the number of communities left in long-term planning limbo by a drawn-out appeals process. It will also give developers the certainty they need to get on with building the homes we desperately need. However, this should not be done at the expense of providing both local authorities and communities with the ability to reject inappropriate development.
- The announcements on reducing the burden of red tape build on, rather than break with, the Government's recent approach towards section 106 and viability: underscoring that agreements must not prohibit development but seeing their continued importance in making development acceptable to the local community. In this vein, the explicit recognition of the importance of section 106 as a tool in providing affordable housing is timely and welcome.
- While some renegotiation of section 106 agreements could lead to the speedier development of both affordable and market housing, there are often larger issues impeding development. In many cases, constraints and costs of development finance and mortgage availability, as well as sales risk, are more fundamental stumbling blocks. It is critical that there is a clear and transparent process for examining the viability of schemes to establish whether it is indeed section 106 contributions that are impeding viability.
- It will not always be appropriate for development to proceed with reduced or waived section 106 contributions. Taking a step back from viability discussions and determining whether development is in the best interests of the community should form part of this process. Local authorities will be best placed to make this judgement for their communities.
- Where the number of affordable homes is reduced to make a site viable, the National Housing Federation would recommend that the Government reduces the time in which the revised agreement can be used. Development on these sites should start within twelve months. This would help ensure economic benefits are felt much quicker and would stop developers unduly profiting from exemptions if the market improves.
- Section 106 contributions continue to cover a wide range of obligations above and beyond affordable housing. The legislation will need to ensure that the appeal / renegotiation is broader than just affordable housing. We are confident that this will be addressed through the new legislation.
- The National Housing Federation supports the Government's decision to review and rationalise existing national and local building standards and look forward to working with it to remove unnecessary costs and level the playing field for house builders.
- The National Housing Federation welcomes the pragmatic approach to supporting locally led delivery taken by the Government and is pleased that local authorities are still seen as the most appropriate bodies to assess local housing need and where it can be best met. They would also encourage councils to use previously developed land in preference to Greenfield.
- The National Housing Federation was surprised to see the proposal on getting empty offices into use in the announcement, given that this was subject to a consultation earlier in the year and was not pursued following extensive representations from local authorities, the Federation and others.

- The National Housing Federation agrees that encouraging local authorities to be more flexible over change of use would help to deliver some of the homes that are needed. The National Housing Federation is, however, concerned that providing permitted development rights for all these types of conversions would miss the opportunity to plan properly to meet need across all housing tenures. The National Housing Federation would support an approach that gave permitted development rights up to a gross external area or subject to a standard condition to include a certain percentage of affordable housing.

Royal Institute of Chartered Surveyors

The Royal Institution of Chartered Surveyors has welcomed the government's move to drive economic growth, particularly the £10billion bond stimulus for underwriting desperately needed housing development.

The organisation said the funding, and necessary planning change, taken together, will go some way towards freeing up big projects stuck in the system.

The emphasis on the private rented sector and first time buyers is essential if the United Kingdom is to reduce the housing deficit and provide homes now, and for the next generation. However, the extent of existing planning permissions is little more than a year's supply of forecast housing demand.

The Royal Institute of Chartered Surveyors said these housing proposals really lack the ambition that £40billion on infrastructure represents. Infrastructure is important to the United Kingdom, but investing in housing now will have a more immediate impact on economic growth. More loan guarantees for housing associations and developers will create jobs and much-needed new homes across the whole market now rather than waiting to get large scale and complex infrastructure projects started in 12-18 months. It urged the Government to seize the opportunity of access to cheap finance to deliver enough housing to bring rents down, lowering the housing benefit bill that would contribute to deficit reduction.

More ambition from the government would help to create the homes and jobs needed to pull the United Kingdom out of recession. The changes to permitted development rights will not house the nation nor create sufficient jobs, since they're about improvements or adaptations to existing homes and businesses. A cut in Value Added Tax on renovation, refurbishment and repair works would make a real impact now and help bring far more residential and commercial buildings back into use.

The Royal Institute of Chartered Surveyors said there needs to be an understanding of how these proposals will interact with the National Planning Policy Framework and the development of local plans. The National Planning Policy Framework needs time to take effect and get the thousands of 'shovel ready' construction projects moving. Red tape and planning reform helps, it said, but doesn't solve the crucial market problem which is a lack of viable, speculative development.

Peter Bolton King, Global Residential Director of the Royal Institute of Chartered Surveyors, was quoted in Housing News as saying:

"What the market needs now is investment, not piecemeal planning reform. While we encourage the government's attempt to stimulate development through small scale projects, this will not provide the required impetus for growth.

"Families and businesses looking to extend their properties will not deliver the required new homes to solve the housing crisis. The government can raise money cheaply, more loan guarantees for housing associations and developers will create jobs and much-needed new homes across the whole market now. More ambition from the government would help create the homes and jobs we need to pull the United Kingdom out of recession."

The Country Landowners' Association considers that the government is not going far enough. Dorothy Fairburn, North Regional Director, was quoted in the 'Cumberland & Westmorland Herald' as saying:

"This is encouraging news. However, we do not believe the package goes far enough to inspire the level of confidence needed for rural businesses to risk making greater investment in their enterprises.

"At present, applicants have to provide expensive reports in support of their applications which are often disproportionate to the size of the development proposed and, in some cases, irrelevant... These reports provide no guarantee that the planning application will be validated, let alone granted approval."

Case Study One: Plymouth City Council

The Government proposals to relax the planning system will set neighbour upon neighbour, according to Plymouth City Council's leader Councillor Tudor Evans (Labour). He believes that the proposals to "get planners off people's backs" could have disastrous consequences for Plymouth's suburbs, with massive extensions blighting neighbours' homes. He considers that the Government should instead do more to target developers who have permission but whose work has stalled.

He is quoted in Southwest Housing News as saying that:

"We need to look at the detail but the initial headlines are extremely worrying. Removing planning permission for extensions for up to eight metres could have a massive impact on people's lives.

"This means people will have no say if their neighbour wants to build something that completely blocks their light or is incredibly intrusive and not in keeping with how an area looks. How that stacks up as an economic measure, I've no idea.

"There are more than 6,200 plots in the city with planning permission but where work hasn't started or is incomplete. That is not planning getting in the way of progress.

"We want to see growth, but this is not the right way to go about it. These are cobbled together measures that not only do not make sense but have pretty dire consequences. If this goes ahead, residents could be paying the price for years."

Chair of the Planning Committee Bill Stevens said:

"The planning system exists for a reason. It is to prevent free-for all hotchpotch building work going on all over the place.

"To relax these rules, means there will be no form of redress for anyone who is unhappy with what their neighbours are planning to do. This all about balance - we refuse around 14 per cent of applications because neighbours are really unhappy about it. That reassurance will go."

Plymouth City Council receives an average of 500 household planning applications a year. In 2010/11 it received 532 and last year it was 475. Over the same period the number of household applications that were processed and determined was, in 2010/11 - 559, of which 94 were refused and last year 462, of which 54 were refused.

Case Study Two: Eden District Council

Eden District Council in Cumbria said that it would await the details of the government's plans before giving them its support. Councillor Malcolm Smith (Independent Alliance), portfolio holder for Planning and the Economy was quoted in the 'Cumberland & Westmorland Herald' as saying:

"As long as the announcements boost the supply of affordable housing in the district then we'll be supporting them. Clearly much of what's been announced this week will depend on the details of how it all works in practice and much of it has yet to be introduced. We'll wait for further information with keen interest."

Much of the Eden area is designated with article six status that means that existing planning restrictions could make those areas exempt from any changes. This includes the conservation areas in the district's main towns of Penrith, Appleby and Kirkby Stephen. A local planning consultant, Tom Woof was quoted in the 'Cumberland & Westmorland Herald' as saying:

"I don't know how they intend to do this, because the amount of affordable housing for each development is set by local policy – even the Prime Minister cannot break the law... Until we see exactly what they want to do, we are only speculating... one effect of making this announcement is that it delays people's decisions, because they may wait to see what is happening. This may, in fact, have the effect of restraining development.

"I think they are meddling with the planning system at their peril. Every change that is made tends to slow things down a bit and what is really needed is stability in the system."

Conclusions

The government clearly sees the expansion of the private rented sector as the main way in which housing supply can be increased in the medium term with most of the guarantees being available for private sector development. Increased affordable housing is seen as playing a supporting role.

The government also sees planning restrictions and 'red tape' as constraints on the development of new housing. However, others are unconvinced by this argument and point out that many housing developments have already received planning permission but have not been started for economic reasons. There are also fears that the relaxation of rules surrounding section 106 agreements will result in a reduction in affordable housing and may not result in an increase in market housing.

However, everyone seems to be agreed that there is a need to increase housing supply. Whether these proposals will be sufficient remains to be seen.

Adrian Waite
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