

Building a Recovery

a route map for resurgence

The Global Coronavirus pandemic has completely changed our way of life – at least in the short term – and it is now clear that Great Britain will experience a severe recession as a consequence.

INTRODUCTION

The Government has been swift in supporting the economy on a temporary basis during this time of crisis, aiming to minimise the impact on businesses and jobs in the short term so that Great Britain can recover smoothly and quickly. However, set against these economic headwinds Government will need to take strong and immediate action to ensure that there are not lasting impacts on our standard of living. The housebuilding industry is critical to the recovery, both

economically and socially, and now more than ever the Government needs to ensure that the planning system can deliver on the Government's target of 300,000 new homes being built each year by the mid-2020s, a rate of build which has not been achieved since 1971.

What can the members of the Land Promoters and Developers Federation (LPDF) do to play their part in the recovery? Land promoters now provide housebuilders with approximately 50% of the land on which they build. Our members

risk their capital in enabling development by ensuring that housebuilders have land with a planning consent on which they can build. We can't build without land and we cannot develop without planning. The land promotion industry coupled with positive forward planning is therefore critical to the recovery.

Following a survey of the LPDF's members, we have identified four key agendas that the Government should look to achieve which we will identify later.



EMERGING FROM THE LAST RECESSION

The housebuilding industry has played a key role in economic recovery before. Following the 2008 global financial crisis the Coalition Government of the time ultimately acknowledged the need to build our way out of recession. Initially, this came through a Written Ministerial Statement of March 2011¹ which emphasised that significant weight should be given to supporting economic growth, encouraging an immediate boost to developments being approved.

In 2012, planning policy was simplified with a shorter and more succinct National Planning Policy Framework (NPPF) incorporating a clear ‘presumption in favour of development’ - to support growth and prosperity. This had a significant and lasting effect on the operation of the planning system and the delivery of homes. The number of planning permissions, housing starts and completions all increased from 2013-14 onwards.

By 2016 / 2017, based on 218,400 net additional dwellings, the housing industry directly and indirectly contributed £38bn to the UK economy and its activities lead to the employment of nearly 700,000 people². Boosting supply to in excess of 300,000 new homes a year would generate an additional £14.2bn of Economic Output and could create an additional 260,000 new jobs. In 2016 / 2017, over £1bn was collected through s106 and CIL payments for investment in the local community and the new residents spent £7.1bn in their new communities. The delivery of new housing has a positive and immediate impact on the economy.

The 2017 White Paper, ‘Fixing our Broken Housing Market’ followed by the ‘Planning for the Right Homes in the Right Places’ statement in Autumn 2017 (coupled with the 2017 budget), stated the Government’s target of 300,000 homes per year by the mid-2020s. In 2018 reports published by the National Audit Office (NAO)³ and The House of Commons Committee of Public Accounts⁴ supported the case for planning reforms and re-affirmed the Government’s 300,000 homes a year target in the Autumn 2018 budget.

By 2018, planning permissions and housing starts had reached their peak but by 2019 they had begun to fall with housing completions also beginning to dip – perhaps linked to prevailing economic uncertainties at that time and the operation of the NPPF⁵ including the interpretation of the presumption in favour of sustainable development.



NAVIGATING OUR WAY THROUGH THE STORM

The ONS data published on 12 June 2020 highlighted the scale of the challenges that the economy is facing in seeking to recover the 25% of lost economic output suffered in the 2 months to the end of April 2020. However, in the words of Albert Einstein “In the middle of every difficulty lies opportunity” and we believe that the Government should now use this time to galvanise the sector and the wider population behind plans to ensure that the delivery of 300,000 new homes a year is no longer talked of as a target but is delivered consistently as it was for some years before 1971.

The benefits of boosting new housing delivery include:

- Direct and indirect employment;
- Enhanced labour market mobility;
- Aids regional economic development policies;
- Positive contribution to mental well-being, including the benefits of access to communal and private green space in many new developments;
- Aids social mobility through tenure mix;
- Can make a positive contribution to achieving the climate change agenda;
- Giving the younger generations the opportunity to own homes.

The sector can form a central role in any economic recovery plan for Great Britain. It can do so whilst supporting the Governments ‘levelling up’ agenda and can address the inequity that is developing between generations through a lack of access to housing with the wide-ranging socio-economic benefits that this can bring.

STIMULATING RECOVERY

The Government’s ‘Coronavirus: Planning update’ announced on 13th May 2020⁶ provided a welcome boost to the development industry by seeking to stabilise and maintain a functioning planning system whilst re-opening the housing market. Alongside the immediate introduction of emergency measures, the update recognised that more would need to be done over the coming weeks and months to support the ongoing production of local plans, the processing of applications and appeals and to increase the supply of land for housing.

SO WHAT NEEDS TO BE DONE?

We welcome the fact that the Government has introduced measures to re-open the housing market following the ‘Lockdown’ and has demonstrated its willingness to support the economy by an unprecedented financial stimulus.

The Government should immediately consult on a clear Written Ministerial Statement, as in 2011, highlighting the significant weight that should be given in decision-taking to the economic benefits of development whilst also correcting the deficiencies in the interpretation of paragraph 11d of the NPPF relating to the so called ‘tilted balance’ and ‘presumption in favour of sustainable development’.

Some of the measures outlined below, will contribute to and build on that positive message.

1. <https://www.gov.uk/government/speeches/planning-for-growth--6>
2. https://www.hbf.co.uk/documents/7876/The_Economic_Footprint_of_UK_House_Building_July_2018LR.pdf
3. <https://www.nao.org.uk/report/planning-for-new-homes/>
4. <https://publications.parliament.uk/pa/cm201719/cmselect/cmpublic/1744/1744.pdf>
5. <https://publications.parliament.uk/pa/cm201415/cmselect/cmcomloc/190/190.pdf>
6. <https://www.gov.uk/guidance/coronavirus-covid-19-planning-update>
7. <https://www.ludgroveproperty.com/post/stamp-duty-the-9-8bn-opportunity>

1. STIMULATE THE HOUSING MARKET

INITIATIVES:

- The existing Help to Buy scheme, which has been accessed by in excess of 250,000 home owners (of which approximately 80% were First Time Buyer purchases), is being amended in 2021 and is due to finish in March 2023. In the first instance the implementation of the revised scheme should be delayed until 1 January 2022 ahead of which a further review of the proposed regional caps should be undertaken to ensure that they do not constrain First Time Buyer activity in particular geographical areas. The revised scheme should be maintained in place until 31 December 2024. There is already evidence that mortgage availability above Loan to Values (LTVs) of 85% is very limited and this will constrain First Time Buyer activity greatly. This was the reason that the Help to Buy scheme was devised and it is as necessary now as it was in enabling the recovery from the global financial crisis. Those house builders benefiting from access to the scheme should provide a commitment to grow volumes by an agreed percentage each

year during which the scheme is in existence together with limitations on dividends and similar stakeholder payments whilst access to tax payer support is provided. Consideration should be given to extending the access to Help to Buy for longer for those small and medium sized companies who have signed up to stretching volume growth targets, as proposed below, supported by taxpayer investment. It should be borne in mind that Help to Buy is an 'investment' by the taxpayer which will be repaid.

- Support and boost housing transaction levels, particularly in the second hand market, by introducing a Stamp Duty holiday for 18 months on the first £925,000 (an existing threshold level) of the transaction price. This measure will not be wholly income dilutive to the Treasury with increased VAT receipts on incidental expenditures (furniture, soft furnishings, white goods etc), sustained and increased income tax and national insurance receipts from maintained or increased employment levels within the industry and similarly

in respect of Corporation Tax. An analysis in 2019⁷ suggests that the average property transaction in England boosts business revenues by £20,441 and generates £14,703 of indirect and direct tax revenues, of which 60% is accounted for by SDLT. Boosting transaction levels sufficiently could see a neutral impact on HM Treasury taxation revenues.

- Fast track the First Homes initiative replacing an element of the existing Affordable Housing content in any proposed s106 to enable this new tenure to be introduced, with a focus in the first instance to Key Workers.



2. INVEST TO ENSURE THAT THERE IS A 21ST CENTURY BUILDING REVOLUTION

INITIATIVES:

- The UK needs more housebuilders. In the first instance the Government should, through Homes England as the 'responsible body', but managed by private sector private equity firms to speed up distribution, look to create a new Housebuilders for the Future Fund. Investing mezzanine and equity capital, it would be available to any privately owned house builder currently building 50 dwellings or more who is willing to make a commitment to stretching growth targets in the short to medium term. There is already anecdotal evidence that this investment is urgently needed as redundancies are already occurring.

- At the same time Government should look to support, through investment, the expansion of the building products industries in the UK required by housebuilders to deliver growth whilst taking the opportunity to further progress the development and take up of Modern Methods of Construction and Modular Build.
- Neither of the initiatives above need be at a long-term cost to the taxpayer with repayment and a return on investment all possible if appropriately structured.
- There is a building skills deficit. There needs to be significant incentives to employers and education providers to provide the training and learning initiatives, including Apprenticeships, required to enable this building revolution.



3. MAKE SURE THE LOCAL PLAN SYSTEM WORKS

THE PLAN-LED SYSTEM IS THE BASIS OF FAIR, DEMOCRATIC, EFFECTIVE AND EFFICIENT DELIVERY OF LAND FOR HOUSING, BUT IT IS NOT WORKING.

INITIATIVES:

- Urgently review the Standard Method to appropriately and consistently calculate housing need to ensure that it supports the Government's target of 300,000 new homes by the mid-2020s. This Standard Method should aid the 'levelling up' agenda.
- Ensure that LPAs stick to a fixed timetable for local plan preparation and adoption to support the Government's proposed target of having up-to-date plans in place by the end of 2023.

This should be underpinned by a requirement for LPAs to achieve set milestones in producing plans to demonstrate the 2023 target will be achieved. Non-delivery should be penalised through Secretary of State intervention to take control of plan preparation. Such intervention should be triggered at an early stage should any LPA unreasonably delay the preparation of its local plan review. It will be important for MHCLG and the Planning Inspectorate to ensure that there are adequate resources available to manage a peak in casework in 2022 / 23.

- Revise Footnote 37 of NPPF to ensure that all LPAs undertake an objective review of their local plan at least every 5 years. Any LPAs that conclude that their local plans do not need to be updated (such as that undertaken by Reigate and Banstead Borough Council in July 2019) should be subject to independent review by PINS.
- Supercharge incentives for local authorities to deliver the housing required so that all residents, existing and new, can benefit from better infrastructure and services.

4. SIMPLIFY THE PLANNING SYSTEM TO ENSURE THAT IT DELIVERS LAND FOR HOUSING 'AT PACE'

INITIATIVES:

- The local plan system should be the basis of the democratic, member interface with the planning system. Allocations in local plans should be viewed as deemed approvals and should only be required to obtain further consent for design and layout to ensure the proposals meet the objectives of the Government's Building Better Building Beautiful Commission and current Design Guidance. These consents could be approved by the professional Officers.

- Local plans should include 'Reserve Sites' (capable of delivering a meaningful proportion of the required planned need) as a matter of course which would be called upon if any Allocated Site failed to deliver or wider housing delivery targets were not being met. They too, once called upon would, benefit from the deemed consent.

- Consider a re-organisation of local government to greater reflect strategic housing market areas as part of the Government's devolution agenda. This should help to minimise the impact of the failures of the Duty to Co-operate and place responsibility for all services, such as Highways and Education, within the body responsible for planning. This should be done alongside initiatives to ensure that planning departments within local authorities are adequately funded and staffed to support delivery.

WHAT DO LAND PROMOTERS AND DEVELOPERS DO?

IT IS CLEAR THAT BUILDING THE NEW HOMES WE NEED CAN HELP LEAD THIS COUNTRY OUT OF RECESSION

Land promoters and developers undertake the vital work of land assembly, infrastructure delivery, negotiation of planning agreements, public engagement to secure outline planning permissions in order to provide 'ready to build' sites for the housebuilders. It is they who take the risk of bringing forward land and undertaking all the 'heavy lifting' required to gain planning consents so that housebuilders can bring homes to the market. The sector stands ready to support this Government in achieving its target of building 300,000 new homes a year.