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All Party Parliamentary Group for SME House Builders

REPORT ON WAYS TO IMPROVE THE
PLANNING SYSTEM IN THE UK

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Aldermore

COMMENTARY FROM THE REPORT SPONSOR



PHILLIP MONKS OBE
CEO, ALDERMORE GROUP

Aldermore is a specialist bank that emerged in response to the financial crash of 2008. I was so dismayed at the withdrawal of financial support that many SMEs were experiencing just at the time they needed it most, that I set about building a bank which backed people and businesses to fulfil their hopes and dreams. Now with over a decade of operating behind us I am proud of the fact that our lending to business topped £3.5 billion in March.

SMEs represent the majority of the UK economy and are the commercial backbone of our local communities. Up until the 1990s, SME housebuilders were responsible for building most new homes in the UK. They provided the dynamic delivery mechanism by which many new homes and housing estates were created. Today we need this dynamism more than ever from SMEs again, as they are a vital way in which the UK will achieve the Government target of building 300,000 new homes a year.

However, just when we need the SME house building sector to deliver, they face multiple barriers during the planning process that delay and prevent new homes from being built for young people, families, and even new requirements for older members of our society. Aldermore supports a number of SME housebuilders to develop sites across the UK and many of them tell us of the planning issues they experience, some of which are described by the APPG in this timely report.

The APPG is a valuable voice for SME housebuilders at the apex of the UK's democratic centre and Aldermore is delighted to support its work. We hope this report and its findings are positively received and help change the planning system for the better for both SME housebuilders, and the delivery of much needed new homes in the UK.

FOREWORD



ANDREW LEWER MBE MP
CHAIRMAN - ALL PARTY PARLIAMENTARY
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“We just need to change the planning system” is an often heard “man down the pub” response to the question of how to alleviate the housing shortages that the UK - and certain parts of England in particular - have experienced for many years now.

Easy to say, less easy to achieve. Who better to ask how the system can in fact be improved than the people building – or seeking to build - the houses? Furthermore, who better to ask than the SME housebuilders and their partners in the housing business? The front-line troops in our national battle to both increase housebuilding, quality of build, and the enhancement of the reputation of construction as an optimal career choice.

The quality and the quantity of the responses we have received underlines the on-going success of the APPG. People who really know what they are talking about have given their time and their effort towards the stimulating responses to be found in this Report. We will try our best to ensure that it both gets into the right hands and into as many hands as possible.

INTRODUCTION

In reaction to the Government wishing to deliver 300,000 houses a year and the ongoing debate on how the planning system is working, the APPG for SME House Builders asked its members for their views on the issues that they face via the planning process and how the Government could improve it.

This report is based upon the many replies from members of the APPG for SME House Builders.

In the first instance, we asked members to submit the questions they felt were in most need of addressing as part of our call for evidence (listed below). Having received those questions, members of the APPG then submitted their thoughts on the questions posed, often giving examples to back up their experiences.

Finally, APPG members then proposed their thoughts and ideas on the ways that the current planning system might be amended or changed, so as to help in the delivery by SME housebuilders of the Government's target of 300,000 new homes a year.

It should be noted that the views of the SME housebuilders carry real weight, given that it will be them who will be key in delivering the Government's target on new homes. SME housebuilders know through their knowledge and experience of the planning system just how it can be improved.

The substantive outputs and suggested ways forward from the report are laid out fully in the final section entitled "Conclusions and Recommendations".

The Report will be launched at the House of Commons and the recommendations made shared with Government via Ministers, Civil Servants, Select Committees and others, so as to ensure that through the suggested improvements the Government can hit its own new homes target of 300,000 a year.



QUESTIONS ADDRESSED BY THE CALL FOR EVIDENCE

1. What are the main planning barriers facing SME housebuilders?
2. What disadvantages do SME housebuilders face in the planning system? i.e compared to larger house builders?
3. What are local authorities' attitudes to planning new homes?
4. Should there be a uniform approach to planning across local authorities?
5. What are the common stumbling blocks when dealing with local authorities planning departments and systems?
6. How important should sustainability be in the planning system?
7. Should all future new homes embrace renewables as standard via the planning system?
8. What are some of the challenges you've faced with local authorities when proposing more sustainable methods and materials in the building of new homes?
9. How open are local authorities to new building methods?
10. Should the UK Government offer more support to sustainable builders via the planning system?
11. How much have planning delays impacted your business and how can these delays be minimised?
12. How are planning delays impacting your business' access to funding?
13. What changes would you like to see in the planning system?
14. Should the legislated provisions in the planning system for affordability and community investment, such as Section 106 (s106), be reformed?
15. How do local authority approaches to affordability and community investment such as Section 106 (s106) differ?
16. Is there anything else you would like to comment on regards reforming the planning system, any recommendations?

EVIDENCE FROM APPG FOR SME HOUSE BUILDERS

1. What are the main planning barriers facing SME housebuilders?

Around 42% of minor residential planning applications and 75% of major planning applications are subject to extension of time requests, environmental impact assessments or performance agreements. Even though these figures lead to major extra costs on SME housebuilders these Government statistics do not highlight the complexities of the planning process, or the frequency in which 'extension of time requests' are used.

A trade body in the house building sector noted that every member contacted for this survey, on at least one site, had experienced multiple extension of time requests. Every builder had experienced this in the final days of the statutory period, often on an item which had already been submitted, such as landscaping or material schedules.

APPG members highlighted the themes of i) the availability of land ii) the culture of planning and political risk iii) the resources and expertise available to local planning authorities and iv) funding as being the principal barriers.

As well as highlighting the lack of quality of staff within Local Authorities, submissions also highlighted the lack of support, help and advice for SMEs when operating in a confusing, conflictual and expensive environment.

Consistent to all developers as a key barrier is delay in getting a decision and the uncertainty of whether there will be consent. This is despite having a 'plan led planning system' for many years, which was meant to take out a large amount of the uncertainty as well as speed up the process.

This delay has a much greater impact on SMEs than on larger housebuilders as not only do the latter have the resources, but they also will have a much greater number and geographic spread of sites, enabling them to reduce risk.

Even where sites are allocated, or where they have already gained outline consent, many applications still take a great amount of time to get through the system with a high degree of uncertainty as to whether consent will be granted at the end.

One example of the slow speed is an SME housebuilder which applied for 550 homes for a site in the East Midlands in November 2015. Despite having an officer recommendation for approval and after reducing the number of units to 480, the application was eventually refused by Members in March 2017. They appealed and after a public inquiry they eventually got consent in February 2018. In August 2018 they submitted a reserved matters application for all 480 dwellings following the approval of a detailed masterplan and design code. After 19 months and several design reviews, they are no nearer to getting approval of the reserved matters. They are now pressing for it to go to the Planning Committee in April 2020, where if not successful they will have to appeal again. This example is typical of many experiences from SME housebuilders.

One APPG member highlighted how the Threshold policy is written assuming schemes of 50 to 100 and above, so becomes a real barrier for SMEs. For smaller sites it makes life very difficult. One SME housebuilder looked at a site in Chelmsford that had a consent for 10 detached dwellings, where they would prefer to incorporate some smaller dwellings for which the land owner had made an application. However, the demand from the Local Authority was for an affordable housing contribution to be made of £1million in delivering just 4 more units, which is of course not viable.

Settlement boundary policies: These are drawn tightly around existing settlements and prohibit extensions to villages that would normally be the bread and butter of the small builder.

APPG members felt Local Authorities clearly need increased funding to deal with the backlog of applications but there is also a great issue with pre-commencement condition sign off. This does involve local authorities but also statutory bodies, such as water companies, who are unable to provide support in appropriate timeframes. Solutions have been found, for example, the House Builders Association (HBA) worked with Natural England on their 'district licensing' scheme to reduce the costs and delays associated with the Great Crested Newt and, so far, those using it have found it a much simpler and more productive process.

Fees: the only way Pre-Apps can happen is as a result of a payment or planning performance agreement. Even this does not mean the right people will attend or notes of the meeting will be produced in a meaningful timeframe.

Community Infrastructure Levy (CIL): The way in which some Local Authorities have set out their charging regime means that only the larger housebuilders will ever be able to operate in certain areas.

The use of data: In areas where Local Authorities are anti-development, the five year housing land supply is used against the need for development. Various strategies can be deployed to defeat development whether or not deliberate:

i) Burdening developments with excessive CIL, affordable housing and Section 106 costs which mean they are non-implementable and

ii) designating large undeliverable sites in the five year housing supply that prevent other sites coming forward.

There is also an issue with the time the Pre-Apps take with Officers, which can according to APPG members be linked to either inefficiency or most readily lack of fully trained and motivated Council Officers.

Permissions are often delayed because of design issues. Whilst SME housebuilders welcome higher standards when it comes to the design of new homes, because of the highly

subjective nature of design, it is often used as a means to stop or delay development.

Planning officers, committee members and applicants could interpret design in many ways. This is a problem because it puts a lot of power in the hands of individual planning/design officers and/or committee members to personally decide what constitutes good design.

Even when you have Officer's support and have over many months or even years worked with them collaboratively to overcome issues raised by consultees etc., elected Members too often refuse without reasoned planning justification. Effective engagement can alleviate this to a certain extent, but often local politics is more important than planning law.

Conditions laid down by Officers can be draconian and demanding. One SME housebuilder highlighted an example where they had just redeveloped a single house to produce 13 dwellings. The house had a garden and the owners had bonfires. This act was considered to be extremely hazardous to the future occupiers by Officers and it took the construction department in question over one year to clear the condition. The cost to clear this one "contamination" condition alone amounted to £25,000.



2. What disadvantages do SME housebuilders face in the planning system? i.e. compared to larger housebuilders?

The obvious barrier to success is that SME housebuilders are at a disadvantage because of their size as they are unable to absorb delays and additional costs as readily as the larger companies, imposed on them by the planning system.

In addition, the costs of borrowing are much more expensive for SME housebuilders compared to the larger companies.

Too often the approach by Local Authorities is taken to identify as little land for housing as possible and only release it for development when absolutely necessary. Even when this is the case, local politics can come into play and Committee Members refuse applications, leading to lengthy and costly planning appeals.

Many SME housebuilders said that in their experience, Local Planning Authorities (LPAs) ask them more onerous requirements than they would the larger companies, as they know that SMEs housebuilders have less ability to argue their case, possibly because they have less ability to employ appropriate expertise, for example urban designers, landscape architects etc.

Smaller development sites are not necessarily easier to get through the system or require less expertise than larger developments. Therefore it is more cost effective to promote larger sites in order to get several years' worth of build from a single site then to go for several smaller sites, which will still give rise to significant issues which require time and expense to address, yet only provide a year or less build. SME housebuilders tend to focus on smaller sites for obvious reasons, so this issue places them at a disadvantage.

SME housebuilders also suffer from inverse economies of scale. Many Local Authorities use the Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS) but unfortunately, do not appreciate that not only do smaller developers not benefit from the same economies of scale as larger developers, but often build to a higher standard. This means when they use out of date rates and do not accept the higher costs put to them,

SME housebuilders are more likely to suffer. Some SME housebuilders increasingly go to viability assessment and use development consultants as a way to combat this unfair process.

Consideration was also given to the issue of upfront fees, with several submissions suggesting that these be deferred until a decision in some cases. The larger housebuilders naturally have more capacity to 'afford' upfront costs; not a luxury that most SME housebuilders have.

From a planning perspective, whilst most LPAs will lean towards the allocation of large sites, these types of developments proposals do not accord with SME model. LPAs are reluctant to allocate smaller developments of fewer than 30 dwellings, when the preference is to ensure that larger sites are allocated as they will deliver housing over a longer period. LPAs are incentivised to ensure that their 5 year land supply is consistent and therefore it is logical that larger sites will form allocations within any Local Plan period. Although 10% of sites are required to be allocated in all new local plans 'as quickly as possible' the terminology is too loose, and in reality a serious shake up of planning policy is required for LPAs to deliver 10% of their housing numbers through small sites effective immediately through law. This would encourage a boost to the housing delivery target of 300,000 whilst also providing some security for SME housebuilders to be able to secure planning consents on suitable, sustainable locations.

Larger housebuilders have standard details and therefore standard house types, making it easier and quicker for Officers to process. This means SME housebuilders lose out, as these standardised homes make the job of Officers easier, and so often become the number one job they focus on, at the expense of the SME housebuilders.

Continuous requests to make changes to schemes, even though such changes can be quite small, have a major impact on resources for SME housebuilders as these changes will require an expensive re-plan. A simple change to a layout will require drainage, landscape and possibly highway changes all of which must be undertaken by an appropriate consultant at a cost.



SME housebuilders have much less financial latitude with which to manage the ever-increasing cost, risk/uncertainty and delay of navigating the planning process.

3. What are local authorities' attitudes to planning new homes?

Most LPAs, especially Officers, are very positive towards new homes. They recognise a need and their role in meeting it.

However, they do not fully appreciate the constraints that SME housebuilders operate under or the implications of having to redesign a scheme in terms of costs and delay.

Some members are less enthusiastic, with some on the planning committee taking the view that if one or more of their constituent's object to a development, then they have no option but to object to it themselves. Not only does this ignore the silent majority who have not objected, or possibly even support the proposal, but also ignores the actual role and wider responsibilities of a Councillor in a representative democracy. Some would equally argue that the system forces Councillors to act in this way; it is not just unfair on the builders.

Most LPAs continue to go by the fact that if they can demonstrate 5 years' land supply, then the automatic response to any development that is not allocated is that it is not required and automatically can be refused. Development that is sustainably located and can provide community benefits to the surrounding settlement should be viewed more positively. A public liaison officer within each

LPA to discuss development proposals, would be beneficial when assessing the suitability of a location and proposal. This would also create a greater link between LPA and Developer, rather than the constant 'battle' that is entered between both sides.

Due to the Local Authority no longer having a number of specialists in house there are significant costs that have to be borne by developers and there is often little choice about who can be used. For example, it can now often cost more for a technical report to be reviewed than it cost to be written in the first instance. Many local authorities seem to be focused on getting the planning fees, rather than undertaking the work needed to be done.

Many Local Authorities want new homes but unfortunately, many are allocating numbers, not deliverable permissions in their Local Plans. We can see this through the Housing Delivery Test, which shows that eight local authorities will face the most severe penalty of 'presumption in favour of sustainable development' for missing their housing targets. A view is that a small sites register is one way that councils could respond more quickly to failing to meet local housing need.

The Local Plan system was introduced to give more certainty to the decision making process, de-risking it for the people prepared to invest in new housing. This is still not the case however, with housing being very political still, too often being driven by NIMBY agendas.

4. Should there be a uniform approach to planning across local authorities?

A sensible review of planning reform is now needed to help speed up housing delivery, of which SME housebuilders form part of the solution. Within this context, a planning system works best when there is:

- Strong, positive political leadership that supports development
- A strong relationship between Members and Officers
- Clear, consistent and timely communication
- Properly resourced local planning departments;

and the continuation of National Planning Policy Frameworks and guidance, which some members of the APPG felt was essential.

Further work is required to reduce ambiguity and provide more certainty.

One APPG member disagreed with the question, stating that the opposite should be the case. They felt that Local Authority Officers should be able to determine applications on merit and not on over bearing centralised planning policy.

Another submission tended against a uniform approach saying response times could be uniform but not policy or general approach. For example, a Pre-App fee is recoverable if a response is not obtained within 10 working days. That could be UK wide. The government needs to make the councils accountable.

In terms of an approach from LAs, Officers should be trained to understand build costs for SME housebuilders and also the lack of back office resource for SME housebuilders.

5. What are the common stumbling blocks when dealing with local authorities planning departments and systems?

The biggest issue and one very common with most LPAs in the areas where SME housebuilders operate is lack of resources.

This is because, over the last decade, the lack of resource has meant that LPAs have lost both the most experienced and longest serving planners, either into redundancy, retirement or into private practice.

Many LPAs now seem to be dependent upon planning consultants in lieu of permanent planning officers. This is an expensive approach by LPAs. Planning consultants are being used by LPAs not only in order to deal with processing planning applications; they are being brought into to manage the planning service itself.

The problem with this approach is consultants are often employed on temporary contracts from anything from 3 months to many years. Whilst consultants play a valuable role in filling vacancies quickly, for example whilst full time officers are appointed, they are increasingly seen as the 'norm' rather than a stop gap solution. The outcome is there are delays as they come up to speed with local IT systems, local policies and local working relationships with consultees and other stakeholders. They are also expensive in comparison to full time Planning Officers, who will know much of the above.

Many SME housebuilders had experience of Officers changing many times during an application's determination, meaning the cost and inconvenience of having to bring each one up to speed often falls on the builders. This causes further delay and then once you have established a working relationship with them, they move onto the next LPA.

Also, an issue with Officers is the lack of response and accountability to requests and emails. Delay in obtaining response from Officers by email, phone, or by letter adds extra cost to SME housebuilders and can drag on for many months. Quite often, even when advice is finally received, this is overturned when the full application is received or when the scheme goes before committee. This is both time consuming and costly.

As well as lack of resource and inexperience, members of the APPG also cited many examples of how Local Authorities often saw development as a way of filling financial shortcomings in their budget, leading to extra fees and costs for housebuilders.

The desire to produce lengthy committee reports often means that time is not allocated to address other key issues. Could guidance be provided about how to structure committee reports?

Investment in technology and artificial intelligence is needed to unburden planning departments from a large number of administrative tasks (such as household applications, clearing of conditions, change of use applications and TPO applications), freeing up time for housing applications.

6. How important should sustainability be in the planning system?

Sustainability is very much central to the planning system. Planning is essentially and has always been, since its inception in 1947 (or even before that with the likes of the Garden City Movement), about achieving sustainable development. In many respects, it is why the planning profession exists.

For larger scale developments, sustainability is key. For SME size developments this should be less so, as each settlement needs to continue to grow at a sustained pace to ensure there are houses for young, elderly and all those in-between. It is the SME housebuilders that can create more attractive, well designed housing developments in less sustainable settlements, due to the greater amount of land and less requirement for meeting housing figures.

Sustainability is key to good planning practice, however rural villages and hamlets should not be frozen from contributing to the economy, otherwise these places face becoming undesirable wastelands.



7. Should all future new homes embrace renewables as standard via the planning system?

The planning system does have a role to play along with building regulations in terms of making more use of renewables in new homes.

However, SME housebuilders are already seeing issues where, despite having a company policy of providing say solar PV panels in homes and having got permission for them, utility companies are refusing them connections to the grid if they provide any form of renewables in a scheme because of concerns about network capacity.

Also, it was commented that what was critical was that there should be forward notice and a level playing field applied consistently across all LPAs. One APPG member felt strongly that this issue should be dealt with via building regulations rather than planning.

If SME housebuilders are to provide more renewables, then this needs to be resolved and Government should provide clarity. This problem will grow as we move away from gas boilers and provide more charging stations/facilities for electric vehicles.

The planning system should promote sustainable outcomes, such as low carbon development, but should not be rigid in prescribing the technologies or solutions, it should be focussed on an outcome-based approach. In considering environmental sustainability some sites will be able to include renewables, but others may have specific constraints which make them very difficult to incorporate. Also, renewable technologies are evolving quickly so today's solutions may be superseded.



8. What are some of the challenges you've faced with Local Authorities when proposing more sustainable methods and materials in the building of new homes?

Generally APPG members were supportive of more resources for local authorities and SME housebuilders to ensure that they are better placed to assess and understand the use of sustainable methods of construction and materials.

Modern Methods of Construction ("MMC") homes still cost significantly more (20%) than traditional build even considering savings in terms of time etc. SME housebuilders have worked with local companies and others to develop this new sector, but even if bought in bulk etc., there is still a significant cost differential.

In high value areas such as around Cambridge this might be absorbed, but in areas like north and east Lincolnshire, for example, where values are low, this is not realistic.

MMC's benefits will likely only be realised in house designs which are contemporary, as trying to mimic traditional bricks and mortar is unlikely to be cost effective and make the differential between MMC and traditional even greater. More contemporary designs may find favour with Officers in terms of design but persuading the public and Councillors is likely to be more difficult, as many want to see traditional designs even on new housing estates far removed from the historic centres of settlements.



9. How open are Local Authorities to new building methods?

SME housebuilders generally have good working relationships with Local Authorities on this issue and generally they are supportive.

Due to a lack of staff and ever-increasing workloads, it is something they are generally not aware of. Often because of this, it is a case of not having sufficient time to engage and understand the process, rather than a total ignorance of the building method.

10. Should the UK Government offer more support to sustainable builders via the planning system?

In recent EiPs into local plans, SME housebuilders have been concerned that many Viability Reports produced on behalf of LPAs do not fully consider the cost implications of higher design standards or for that matter higher sustainability requirements.

Enhanced standards for building regulations or providing homes to Lifetime Homes standards will invariably increase costs to build such homes. In some areas this makes homes unviable. As the NPPF now favours that arguments about viability should be undertaken at the plan making stage rather than at the application stage, with some LPAs refusing to accept site specific viability arguments being put forward, then such viability reports must consider these matters, or allow for site specific assessments to be submitted.

Some members felt a manual for sustainable design should support developers and allow SME housebuilders to know what must be delivered in order to provide greater certainty of achieving a planning consent. At the same time there must be a level of recourse to show that this type of housing is being delivered as part of the build process.

Most of the submissions were positive about the UK Government offering more support to sustainable builders via the planning system.

11. How much have planning delays impacted your business and how can these delays be minimised?

Planning delay can be minimised by housebuilders, local authorities, communities and other key stakeholders working in partnership and collaborating from an early stage in the planning application process.

Through good, early communication and collaboration the expectations and aspirations of the parties involved should become evident from the start of the planning system, significantly reducing the risk of misunderstanding, disagreement and delay later on. Meaningful political engagement earlier in decision-making will help reduce planning risk and allow for SME housebuilders into the market.

A point that kept occurring in many submissions was the fact that interest costs kill many schemes for bridging loans or other finance. Officers too often are indifferent to this, or at worst do not seem to care.

One of the APPG's members noted that they had worked out that they now allow for a budgeted 3-5% drop in profit due to the cost of delays in planning across their business.

Delays in the processing of a planning application can have a serious impact on the SME housebuilder's construction programme and cash flow. The cost of borrowing for a SME is significant.

Delays in the planning process, such as months/years rather than weeks can be very expensive. It is not uncommon to have applications take over a year to determine.

Changes to the planning system has addressed to some extent the appeal process which is providing reduced timeframes for inquiry decisions to be issued, which is to be applauded. However, due to a lack of employed Inspectors and increased workloads this is having a knock-on effect to "Written Reps" appeals that can now be seen, adding further delay.

The Government's Planning Guarantee (to determine applications within 26 weeks, with a further 26 weeks for an appeal if necessary) is rarely used as LPAs insist on applicants to agree an extension of time before the 13 or 26 week time period is up.

Once an extension of time is agreed, even if it is only for a few weeks the LPA can then take as long as they like to determine the application without any fear of having to pay the planning application fee back. Extending the guarantee to cases where an EoT has been agreed (the vast majority, about 90% of major applications) will ensure that there is an incentive for the LPA to decide quickly.

Another improvement would be more investment in the planning function of LPAs and especially in the training of planners and other related professionals. Staff shortages are increasingly the reason for delays. One example from an SME housebuilder showed an LPA in Cambridgeshire issuing a letter in December 2019 advising them that if they

submitted any applications soon, they would not be looked at until at least February 2020 at the earliest, when new staff were to be appointed.

All the LPAs APPG members work with are having difficulties with getting suitably qualified and experienced planners.

Delays from LPAs have caused the industry to shirk away from a pipeline of work because the risk and cost element is too great. Planning should not be complicated, if a developer meets planning policy, planning should be granted.

Delays also occur with delayed consultation responses. This could be from highways, ecology, drainage etc.

SME housebuilders noted with incredulity that several Local Authorities, despite the lack of enough staff to deal with such consultation requests at the moment, are making people redundant, because of the financial pressures under which they are operating. This will further exacerbate a poor situation.

12. How are planning delays impacting your business' access to funding?

There is a high degree of uncertainty about the length of time it will take and what the eventual decision will be in any planning application.

This uncertainty makes financial planning difficult as SME housebuilders will not know when they will be wanting to purchase land.

They generally only option land, purchasing land only when they have secured planning permission. As this can take any time from 3 months to over 4 years it is difficult to plan for.

Whilst the focus is on delays, if an application is dealt with more quickly than anticipated that in itself can cause an issue as once consent is secured most options require the builder/developer to purchase the site within a certain period of time. The need for more consistency in terms of time is therefore critical.

One APPG member, who is a Land Promoter, noted that this causes delays in investment to other potential projects, and therefore reduces their ability to contribute further housing delivery towards the 300,000 national target. It is a balancing exercise that if streamlined, would lead to simpler business decisions and so would speed up the delivery of homes.

Developers cannot draw down funding unless they have planning in place. A delay means you do not have planning, so are either unable to draw down funds, or accrue charges for the privilege of waiting for the LPAs to do their job.



13. What changes would you like to see in the planning system?

More certainty in the planning system both in terms of what the likely outcome will be and how long it will take.

The tone of most responders was summed up by a SME housebuilder who said,

“Just a system that is not beset by as many administrative delays as it presently is would be a good start. Even getting a date in for an appeal at present is taking so long that it is often pointless, especially when the decision-making process throughout has been cumbersome and delayed. Local Authorities don’t seem to know/care how much their inactions cost; if it were their own money, they would behave differently.”

On provision of affordable housing, one APPG member suggested taking affordable housing provision and responsibility away from private developers. The Ministry of Housing (MHCLG) should have more control over social housing, this provision should be the responsibility of the government.

The planning system is extremely complex and continues to be so, despite many attempts to simplify it. This partly reflects wider changes in society and the increasing need to control development in a much more crowded world/ country, but it also reflects peoples’ much wider participation in the process. This contrasts with other countries.

Elected Members are involved in too many planning applications and more should be delegated to Officers to determine in accordance with planning policy, whether that be national or local policies contained within the Local Plan - the latter having been approved by Members themselves.

Whilst most LPAs have a scheme of delegation so that not all planning applications are determined by Members of the Planning Committee, many such schemes are very flexible and open to abuse by Members and those that know the system. As a result, even quite minor applications that accord with policy are reported to Committee simply because a local Councillor has ‘called it in’, or because there are a few objections to it.

Several submissions stated that if the Pre-App process is to continue, greater weight in determining an application should be given to the initial advice from Officers, as most SME housebuilders are guided in their decision making and budgeting by this advice. If Pre-App is not given more importance, some suggested just scrap the process and make LPA s to reach a decision giving the reasons for refusal.

Some SME housebuilders felt that having set the policies in their Local Plan, the role of Elected Members in development management should be limited to just those applications that are clearly contrary to the Local Plan.



In addition, where outline applications have been determined at appeal, the subsequent reserved matters should also be determined by Officers, unless they are not in accordance with the outline consent.

In line with the Nolan Report into Standards in Public Life, Local Authority Elected Members should be encouraged to meet with applicants so that the scheme benefits can be explained, and issues discussed. However, there is an increasing nervousness or reluctance by Elected Members to meet with planning applicants, for fear of being deemed inappropriate or seemingly show bias if it comes before their Planning Committee for a decision. This means that too often Elected Members aren't properly informed or have the fullest understanding of the planning application, when making their decisions.

One APPG member noted that what was needed was full Planning Committee overhaul, and genuine consideration to bringing SME housebuilders back into the marketplace to complement the National Housebuilder model. This will only happen with improved certainty in achieving planning for smaller sites, most specifically fewer than 9 dwelling minor applications.

Several APPG members highlighted Local Authorities' strict timescales on responses, even from Pre-App stage, but there is a significant discrepancy on the response times by Local Authorities back to them. Many felt that Local Authorities should be held more accountable, as SME housebuilders often are asked to do by them. Poor performing Local Authorities should suffer similar costs implications as SME housebuilders have to when Officers are too slow or fail to respond in a timely fashion or within acceptable timescales.

Several submissions felt that large Local Plan housing allocations should always include a dedicated amount of land going to SME housing developers. They also support a more prescriptive approach to allocations to ensure a specific number of bungalows are developed. Currently these large allocations support volume housebuilders and large Registered Providers only. This creates a monolithic approach to housing with very little competition in the housing product brought to market.

SME housebuilders will often push different styles, new technologies and more variation. This change would transform the supply of development land to SME housebuilders in one fell swoop and would oversee a substantial reversal of the diminished output by SME housebuilders that has worsened progressively since the 1980s.

The amount of information submitted with an application is often extremely complex and very extensive. Even for full time professionals, it is difficult to fully assimilate and digest such information. For Elected Members it is impossible, and as a result they often will make decisions based on not having read their own Officer's report, including reading any of the supporting information.

- i. There needs to be a focus on improving the culture of planning. We need to promote collaboration, partnership and communication for all players engaged in planning from the very start of the process with focus on earlier and more meaningful political engagement.
- ii. The supply of housing land needs to be increased, particularly the availability of smaller sites. LPAs need to plan positively to identify adequate land to meet their housing needs and then apply the presumption in favour of sustainable development to release housing land as quickly as possible.
- iii. LPAs need to be provided with adequate resources and support from areas of expertise to reduce planning delay and improve the consistency and quality of advice and decision making.

14. Should the legislated provisions in the planning system for affordability and community investment, such as Section 106, be reformed?

Some APPG members strongly agreed with the question, several noting that this was all the more necessary as they suggested that Homes England and several Housing Associations have lost focus on what they are truly here to do, i.e. to provide housing for those who the market cannot currently accommodate.

Some SME housebuilders highlighted that CIL has not been universally adopted by LPAs and many seeming to have no intention of adopting it. From evidence submitted about 50% of LPAs have not adopted CIL.

APPG Members expressed the view that in some respects, it is a shame that CIL has not been more widely adopted, as in theory it should avoid lengthy negotiations over s106.

CIL is cumbersome and the recent reforms to make it easier for LPAs to amend the charging schedule may help. However, the abolition of the Schedule 123 list will make it more difficult to determine what is covered by CIL and what is to be covered by a s106.

Where CIL is payable there are often lengthy negotiations over whether something asked for is covered by CIL or whether it should be included within a s106 as an additional requirement.

Another main concern is that LPAs want to double dip. A SME housebuilder gave an example where a large Sustainable Urban Extension in Suffolk which has now been allocated, but the CIL has not. If they put in an application the County will want both CIL payments and a bespoke s106 to pay for the proposed school on their site. As the CIL covers education (as detailed in the current CIL 123 List), no s106 contributions should be required. However, now the County are of the view they can insist on a full contribution for the school within a s106 as well as a CIL payment to cover education provision.

A key concern with respect to CIL and to a lesser extent s106 is that the money received does not necessarily get spent in the area where the development occurs. For many communities faced with significant development and its impacts, to find that much of the money gained through CIL or s106 money gets spent on infrastructure projects many miles away is unacceptable.

A SME housebuilder cited the example where a local authority in the South East of England charges CIL at a rate of £500/sqm in a town centre location. This equates to £37,000 per apartment which means that a one-bedroom apartment is automatically 10% more expensive. Similar high-level payments are required for other areas such as open space. In this instance, the same Council is also asking for approximately £35,000 in s106 payments for open space for new developments approved today. This adds 20% to the cost of the flat. In fact, the permissions are not implementable in practice.

This also applies to affordable homes, where many locals, particularly in smaller settlements close to large urban areas, see the affordable housing provided by housebuilders going to people from the neighbouring urban areas, rather than to people with a local connection.

A further comment was that the current system appears to be functional and accepted within the industry, as well as ensuring that the community suitably benefits housing developments. With the introduction of new construction methods, net biodiversity gains, nitrate neutral areas and carbon-reducing housing models, the cost of building a new home is ever increasing and this with s106 costs must be taken in to consideration, as ultimately it will continue to inflate house prices that are already unaffordable for large sections of the population.



15. How do local authority approaches to affordability and community investment such as Section 106 differ?

Between 2016 and 2019, the City of London received £237.2 million from industry in s106 fees but spent only £148.9 million. Some £6.8 million was earned in interest and a surplus of £95.1 million has been accrued. The City also gained £619,760 in monitoring fees but spent just £142,350 and, when added to balances from previous years, built a surplus of £1.2 million.

Wholesale planning contribution reform is needed. If we want more affordable homes, Local Authorities should pay brick on brick costs for them, not continually seek contributions from developers to bolster their reserves.

The key difference is whether they have adopted CIL or not. Also, many LPAs insist on many things covered in the CIL 123 List to be also subject to contributions within a s106, which in effect gives rise to 'double dipping'.

Where CIL is in place and there is a Neighbourhood Plan, a key benefit for local communities is that they get a significant element of the CIL receipts payable which can amount to many hundreds of thousands of pounds for some parish councils.

16. Is there anything else you would like to comment on regards reforming the planning system, any recommendations?

Low Value Areas – Several SME housebuilders expressed their biggest concern is the deliverability/viability of many of their sites in low value areas.

These areas are marginal now and any additional costs associated with building homes, such as meeting new sustainability standards will impact upon their deliverability and so on the Government's 300,000 target for new homes. For example, SME build costs are generally similar whether we build them in poorer areas or in richer areas where values are significantly higher. Business rationale would therefore direct new build to the latter rather than the former.

One member of the APPG noted that successive Governments, of all colours, promise to 'reform and simplify' the planning system, which sadly means in practice more not less legislation.

A member of the APPG feels the Planning Inspectorate do not have any presumption in favour of development, which should be reviewed.

It was highlighted that the 'old school' Duty Planner approach was much better than the current approach. There seems to be less and less quick efficient access now to the planners. It feels like 'them against us' when really it should be a team with a common goal. It was suggested that Officers should be instructed to be forthcoming with ideas and solutions. Rather than 'guesswork' from applicants and developers.

Any additional costs arising from higher requirements in the building regulations will likely increase construction costs. Whilst these may be able to be absorbed in high value areas, they will make many marginal sites undeliverable.

Finally, several responses to the call for evidence noted that over the past decade, Housing Ministers have lasted for less than a year, despite general agreement that we have a severe housing crisis. The suggestion was that it would help all in the industry if there could be more permanency in the role of Housing Minister.



CONCLUSIONS AND RECOMMENDATIONS



1) 300,000 new homes a year - We need to increase the supply of new homes, ensuring resources are used efficiently and we build them to last. They need to provide healthy, safe and attractive places to live, which benefit people and communities, and this can only be achieved at the level of 300,000 new homes a year, with an effective, efficient and well-funded planning system.

2) Invest in LPA staff for long term payback - Change the inefficient and costly approach of most LPAs, who now seem to be dependent upon planning consultants in lieu of permanent planning officers. This is an expensive approach by LPAs. Planning Consultants are being used by LPAs not only in order to deal with processing planning applications, but also, they are being brought in to manage the planning service itself.

Also, more investment is needed urgently in the planning function of LPAs and especially in the training of planners and other related professionals. Staff shortages, lack of people, experience and expertise are increasingly the reason for delays. Well qualified, quality planners would address this widespread blockage, which is evident across all Local Authorities. *LPA staff shortages were the top issue faced by SME housebuilders in their attempts to engage with the planning process.*

3) Delivery of National Infrastructure projects - Nationally significant infrastructure projects should not – and do not – exist in a vacuum. New places with significant numbers of new homes are in themselves very large-scale projects that require energy generation, water supply, waste treatment, strategic transport links, and digital communications as well

as commercial and mixed-use spaces. By amending the well-understood and rigorous Development Consent Order process to cover larger-scale housing developments, there is an opportunity for the government to better coordinate housing delivery with nationally significant infrastructure, business and commercial projects.

4) More certainty and consistency in the planning system - SME housebuilders felt that in terms of the future of planning and improvement to be made, more certainty in the planning system both in terms of what the likely outcome will be and, how long it will take were the two key goals.

A consistent approach is needed and necessary across all LPAs and this should continue to be provided by National Planning Policy Framework and guidance which is essential to the delivery of this consistency.

5) Design Reviews - SME housebuilders feel Design Reviews should take place at a very early stage in the process and not late on in the process where any benefit is likely to be small and the costs, in terms of delay, and associated costs of changing plans, road layouts, landscape and drainage details, as a result, for example, are very significant.

6) Delegation to Officers – Elected Members are involved in too many planning applications. More efforts need to be made that they should be delegated to Officers to determine in accordance with planning policy, whether that be national or local policies contained within the Local Plan.

CONCLUSIONS AND RECOMMENDATIONS

7) Affordable housing – Local Authorities should be financed to take some control of affordable housing delivery. Some of the most successful Local Authorities for affordable housing delivery have their own commercial department and affordable housing company – Greenwich (Labour), Wokingham (Conservative), Eastleigh (Lib Dem). Having an in-house Registered Provider (RP) enables some of the social vs commercial decisions to be made in favour of affordable housing; the profit to the RP being reduced, but the social value being realised. In this manner, the Gorse Ride Regeneration Project (<https://www.wokingham.gov.uk/major-developments/gorse-ride-estate-regeneration/>), which would otherwise be considered commercially unviable, is proposed to provide in the region of 70% affordable housing.

8) Better guidance and closer links – More guidance should be provided on how to deliver ‘small sites’, i.e. those of 10 units or under. Currently, whilst determination timeframes and costs are lower in terms of application, the complexity involved in bringing through marginal sites and lack of planning balance to offset constraints and impacts means that determination is often slower, leading to delay to return and impact on cash flow.

Links between private consultancies and Local Authorities should be encouraged to help upskill junior planners via LPA internships, in turn helping improve turnaround in lesser applications, whilst allowing exposure to larger schemes.

9) Small Site Register – A small sites register is one way that Local Authorities could respond more quickly to failing to meet local housing need and assist SME housebuilders in delivery.

10) Strategic sites % to SME housebuilders – On strategic sites, a certain % of delivery should be earmarked for local SME housebuilder delivery. This has numerous advantages; it provides greater diversity in architecture; can guarantee better quality; provides more competition to larger housebuilders in turn increasing quality and attention to detail; will speed up on-site delivery.

11) Utilities made to assist SME housebuilders – For the SME housebuilders to provide more support for renewables, then the issue where SMEs, despite having a company

policy of wishing to provide the likes of solar PV panels in homes and having got permission for them, face a serious issue. Utility companies are refusing them connections to the grid if a SME housebuilder has provided any form of renewables in their scheme because of concerns about network capacity. This needs to be resolved and Government should provide clarity/guidance/legislation on the matter.

12) 26 week Planning Guarantee – The Government needs to review and amend its Planning Guarantee (to determine applications within 26 weeks, with a further 26 weeks for an appeal if necessary), as it is rarely used as LPAs insist on applicants to agree an extension of time before the 13- or 26-week time period is up. Perhaps look at LPAs having a financial incentive not to extend. This will help focus minds and ensure that the use of extensions is not as readily abused.

13) Upfront fees to Local Authorities – Consideration was also given to the issue of upfront fees, with several submissions suggesting that these be deferred until a decision in some cases. The larger housebuilders naturally have more capacity to ‘afford’ upfront costs; not a luxury that most SME housebuilders have.

14. Trained and better-informed Councillors – Training for Elected Members about local policy and development management should be meaningful. Some Elected Members seem to want to overturn Officer’s recommendations for approval but cannot give technical reasons for refusal and rely on Officers to find appropriate reasons.

15. Cost of environmental initiatives – New environmental initiatives, though often valid, also do come at an extra cost. This too often is an extra cost on business and should therefore be reflected in the s106 costs of projects.

16. Housing supply legal duty on Local Authorities – There should be a legal duty on local authorities to pay special attention to tackling the housing supply issue, as is the case with the protection of listed buildings. The consequence of not dealing with issues that arise as a result such as homelessness and people living in unsuitable accommodation is not fully recognised or acknowledged.



17. Training for future planning professionals - Key to overturning current practices is to ensure that students are provided with high- quality, industry-led thinking that allows them to challenge the views of academics and gatekeepers and provides them with the skills to understand the requirements to look at planning via the three central tenets of the NPPF – Economic, Environmental and Social benefits. All too often the economic is overlooked by this group in favour of the aspirational, but undeliverable.

An academy-led model, run by a nationally-recognised planning consultancy, would allow for a university course/ module, perhaps over one of the three years of study (the last would make sense), to allow students access to the working world, as well as the resource and expertise of some of the UK's best and brightest on key topics and

projects. The academy course would also allow greater exposure to everyday working life – Project Team meetings, Design Review Panels, Public Exhibitions, Site Visits, Council meetings etc, essentially enabling a strong apprenticeship on placemaking, commercial reality, engagement and how this is all interlinked.

In particular, the apprenticeship should focus on Council decision-making and the mechanics of this, so that students can begin to understand that planning is about more than simple policy reporting and that engagement, localism, is the golden thread that pulls together all parts of the development proposal to ensure a beneficial outcome for all parties involved.

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All Party Parliamentary Group
for SME House Builders

Aldermore

