

Leaders' Committee

The Housing White Paper

Item no: 6

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Date: 21 March 2017

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Summary

The report provides detail on the government Housing white paper "*Fixing Our Broken Housing Market*" published on the 7th February 2017. It highlights aspects of the white paper relevant to recent discussion on increased home building between London government and national government. The paper also gives a brief update on the ongoing work to develop options for a collaborative delivery vehicle to increase delivery capacity.

Recommendations

Leaders' Committee is asked to:

- a. Note the update on initial activity in responding to the government's white paper and new policy direction
- b. Consider any guidance on the emerging priorities within London Councils' response
- c. Note the update on the work to explore a collaborative housing delivery vehicle among boroughs, which will return to Leaders' committee.

The Housing White Paper

Introduction

1. This report alerts the committee to the publication of the government's Housing white paper "Fixing Our Broken Housing Market" on 7th February 2017. The content of the white paper is briefly described with supporting detail provided in Appendix One. The report highlights issues in the white paper affecting London Councils' ongoing work to improve housing for Londoners in particular:
 - Shifts in government policy since the Housing and Planning Act 2016 received Royal Assent on 12th May 2016;
 - Proposals within the white paper that may be of particular significance in London;
 - Links between the white paper and discussions with the London Mayor on the development of housing policy for London;
 - A brief update on other work to drive delivery and influence policy and legislation at London Councils, including on the collaborative delivery vehicle for housing.

The White Paper: "Fixing Our Broken Housing Market"

2. The white paper makes proposals across four areas, split into four chapters: planning and land, accelerating house building, diversifying the housing market and immediate support to individuals. The first two chapters (predominately concerned with planning measures) are formally open to consultation, the second two are not. Therefore, the paper is technically more of a mix between an old style green paper and a white paper. Additionally, despite the title, the paper has many more substantive measures in the planning space than housing. The chapters break down more specifically as follows:
 - Planning and land includes proposals affecting the local plan process, assessments of housing need, clarifying land ownership, small sites, Greenbelt, and land use including housing density.
 - Faster building makes recommendations to allow councils to increase planning fees, funding related infrastructure, reducing the scope for pre-commencement conditions, increasing requirements for clarity on developers' intended build out rates, powers to consider developer delivery records in planning decisions; and powers to require local authorities to adopt higher building targets.
 - Diversifying the market includes interventions on new construction methods, build to rent and local authority building.
 - Helping people now includes changes to Starter Homes policy, policy on housing needs for old or disabled people and support for the Homelessness Reduction Bill.

3. The white paper reflects a change in government policy towards building to rent, which is significantly more supportive of mixed tenure development. Linked to this, it reduces the scale of requirement for Starter Homes in new developments. There is no explicit change in Greenbelt policy. The white paper does not make proposals to increase financial flexibilities for local government such as more flexible use of right to buy receipts, retention of a larger share of right to buy receipts, or increased HRA borrowing headroom. Communication with CLG and Housing Minister Gavin Barwell has however revealed an interest in a new conversation with local authorities about methods to drive supply. So there are clear opportunities to open up the discussion on a bespoke London government deal, with authorities encouraged to be ambitious in delivering and enabling new supply.
4. The white paper welcomes council backed housing companies and joint ventures and their role in bringing forward new supply. However a significant concern is that the white paper then proposes extending “equivalent” rights - including the right to buy - to tenants in “new affordable properties”. This may have significant implications for the viability of council backed housing companies. It is at this point unclear exactly what this means in practical terms, as it has been suggested formal legislation in the area is unlikely but also that the measure is a clear commitment from CLG. ‘Affordable’ is also not specifically defined in relation to this point (NB the white paper uses eight distinct definitions of affordability). There are concerns that the pronouncement alone will affect councils’ ability to finance developments through housing companies. It therefore may become a priority to seek clarification, and potentially consider and offer workable home ownership support options for tenants in “new affordable properties” that do not present a viability challenge.
5. The white paper introduces a new housing delivery test for local authorities. This test will assess whether the number of homes being built is below targets set for local authorities (using a new to be defined assessment of need). If the target level of housing is not being built the government proposes to put in place measures ranging from requiring local authorities to put in place action plans to forcing them to allocate more land for development, or implementing a presumption in favour of sustainable development for all planning applications. Although there are indications that this measure may only be used only in extremis where authorities are not working towards targets, there is potentially a huge gap between current delivery and targets in London. Authorities today have limited methods of controlling build out following permissions being granted (considerably more permissions are granted than started and there are no significant additional tools

considered in the paper to give local authorities control over this). These challenges increase the urgency of a bespoke London discussion with government on both high housing needs and the particularities of the London situation. It also could be helpful to consider councils working with developers on short term use of sites when awaiting development.

6. Government support for the Homelessness Reduction Bill is reiterated in the white paper. The bill is currently progressing through the House of Lords and likely to receive Royal Assent by the end of this Parliamentary Session in May 2017. CLG are currently planning implementation for either January, or April 2018. Given the mention of the bill in the paper, London Councils will repeat the established lobbying points on cost of the bill in the white paper response. CLG have indicated new burdens funding of £61m will be available nationally over two years, although indicative approximate work conducted by boroughs scales up to £77m in London in one year only.
7. The white paper follows housing announcements in the Autumn Statement which included agreement to £3.15 billion in funding for the London Mayor to deliver 90,000 homes in the 2016-2021 Affordable Homes Programme. Officers of both London Councils and the Mayor had been involved in discussions with government prior to the Autumn Statement seeking a range of policy changes. While the funding agreement was the primary outcome of the Autumn Statement, the white paper responds to other proposals made by London in those discussions. These include:
 - Agreeing to allow councils to increase planning fees by 20% from July 2017 so long as funds are invested in planning. There is a potential for a further 20% increase in funding with conditions. Some boroughs have already made clear the problems raised by the conditions and advocated that the additional 20% should also be granted to all without conditions to compensate for freezes and align to the level of need in planning departments.
 - Further detail on the £2.3 billion Housing Infrastructure Fund to create supporting infrastructure in areas of greatest housing need.
 - Recognition of the importance of build to rent. The tone from government on this point is welcome and there are continuing opportunities for local government to influence the emerging further propositions through a specific build to rent consultation document looking at the measures laid out in the paper. This consultation is well timed for London Councils to feed in the emerging outcome of current joint research with London First on the challenges and opportunities to delivering the build to rent model in London. This research will be launched in April 2017.

8. Formal consultation on the white paper closes on the 2nd May. Borough housing and planning officers have and will continue to attend a short series of roundtables held at London Councils to influence the formal response. More informally, the Housing Minister Gavin Barwell MP has held a series of regional views to directly receive stakeholder responses. A final event in London has now been scheduled for the 20th April 9.30 – 11am in collaboration with London Councils to canvas views specifically from local government, in particular Leaders, Housing cabinet leads and relevant senior staff.

Developing Borough Delivery Capacity through Collaboration

9. Following the initial discussion after the October 2015 Leaders' Committee, the December 2015 report to Leaders' Committee and the report to executive in May 2016 and the report to Leaders' Committee in June 2016, work has been commissioned to assess the ways in which collaborative action by London boroughs could enhance housing delivery capacity in individual boroughs. As previously reported the approach is to develop a model based on voluntary membership. Current opportunities being developed include brokerage between boroughs, capacity support, reducing obstacles to more direct development support.
10. It is anticipated that propositions for discussion and decision will emerge as the commissioned work completes before the summer. It may be that these developments have a bearing on potential discussions with central government.

Financial implications for London Councils

There are not immediate financial implications for London Councils as a result of this report.

Legal implications for London Councils

None

Equalities implications for London Councils

There are no direct equalities implications for London Councils as a result of this paper.



Housing and Planning White Paper

The government published its housing white paper, 'Fixing our broken housing market' on 7 February. This briefing provides members with our early analysis of the aims and measures set out in the white paper on: planning for the right homes in the right places; building homes faster; diversifying the housing market; and helping people now.

Overview

On 7 February the government released a housing and planning white paper 'Fixing our broken housing market'. The white paper sets out the government's plans to: reform the housing market and boost the supply of new homes; plan for the right homes in the right places; build homes faster; diversify the housing market, and help more people access housing. Boroughs and London Councils have a formal opportunity to respond to the proposals set out in the white paper via a consultation which closes on 2 May 2017 (see link at end of briefing).

London has a housing crisis which has been driven by a significant undersupply of homes. Currently, around 25,000 homes are being delivered annually despite a London plan target of 49,000. London Councils recognises the need for housing supply to be increased in the capital and supports the government's renewed focus on development, in particular delivering housing in a range of tenures to seriously attempt to address the crisis.

In particular, London Councils welcomes the proposal to allow authorities to increase planning fees and other flexibilities, and to support institutional investment in build to rent. The mention of new conversations on devolution to enable housebuilding is also welcome. Principally, we continue to call for (among other things): a) increases in level of retention of right to buy (RTB) receipts; b) flexibilities in use of RTB receipts (including for regeneration); and c) additional Housing Revenue Account (HRA) headroom to address short term delivery demand increases.

There is some concern that the measures in the white paper disproportionality come down on councils, with little if any incentives/disincentives applied to developers, as had been suggested in the build up to the release. Councils and the planning system have an important part to play in building and facilitating building, but developers must also contribute and currently, the paper is skewed to be punitive towards authorities, especially in the 'housing delivery test'.

Analysis

Chapter 1: Planning for the right homes in the right places

Making sure every community has an up-to-date, sufficiently ambitious plan

The white paper aims to simplify the local planning documents to ensure a greater level of housing delivery. This includes a requirement to review local planning documents every five years and make more planning data available. There will also be less need to set out adopted local plans with these being replaced by strategic priorities which can be planned for separately. Boroughs would also need to prepare statements outlining how they will work together to meet housing requirements. Importantly, the government is planning to set out a standardised approach to assessing local housing need after a period of consultation.

London Councils welcomes a period of consultation on a standardised approach to meeting housing need as the current system is complex, expensive and time consuming. However, the white paper introduces extra plan making burdens for under resourced local planning authorities and, thus far, a lack of clarity in the types of document that they need to produce. We will respond to the consultation pending.

Making land ownership and interests more transparent and delivering homes on public sector land

Measures set out include an aim to ensure the registering of all public land by 2025. It also introduces a new £45 million Land Release Fund which boroughs can bid for and measures to facilitate the disposal of land which has been prepared for development by public bodies. This will be further supported by a consultation on flexibility to dispose of land at less than best consideration. London Councils welcomes measures to facilitate public land release, although we question a £45 million fund is sufficient to aid with large scale release. The government also does not provide any resources to aid boroughs to register public land which is time consuming and expensive.

Supporting small and medium sized sites/developers

The white paper encourages boroughs to better identify small sites and place a greater weight on their development in local policy documents. It also encourages the sub-division of large sites where appropriate. London Councils believes most boroughs are already successfully identifying small sites for development. However, the subdivision of large sites in London may be problematic, as much of the new large development in London is high density, high rise development which is often not appropriate for small developers. Government needs to clarify its definitions of small and large sites.

Green belt land

There is little shift in position on government green belt policy with Green Belt only be allowed to be allocated for development in very exceptional circumstances. However, the introduction of more rigorous housing targets may lead to boroughs needing allocate more exceptional green belt sites to meet them.

Using land more efficiently for development

Policy encourages high density development utilised in suitable locations in urban areas. It will encourage development over uses such as car parks as long as it reflects the character and infrastructure capacity of an area. There will also be a review of national space standards. London Councils believes that London boroughs are used to building high densities and using sites innovatively. Any revisiting of space standards must ensure that smaller units are high quality and meet a local need.

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Chapter 2: Building homes faster

Boosting local authority capacity and capability to deliver

The white paper sets out plans to allow LPAs to increase planning application fees by 20 per cent from July so long as additional funds from increase are reinvested in planning departments. Future consultation will be made on an additional 20 per cent increase where authorities are delivering 'the homes their communities need'. An extra £25 million fund will be available to local authorities who plan to deliver homes in areas of high housing need. London Councils welcomes this as a response to long term lobbying to enable under resourced planning departments to cover costs.

Ensuring infrastructure is provided in the right place at the right time

As announced in the Autumn Statement, a £2.3 billion Housing Infrastructure Fund will be offered in areas with the greatest housing need. It is believed that infrastructure will be defined broadly, including education and health infrastructure. There is however no mention of whether it could fund remediation for contaminated which can prevent sites from being utilised to their full potential in London. The NPPF will be amended to identify that boroughs will be expected to identify the development opportunities where there is national infrastructure investment.

Tackling unnecessary delays caused by planning conditions

The white paper sets out policy which aims to tackle unnecessary delays by prohibiting conditions that do not meet the national policy tests and ensuring that pre-commencement conditions can only be used with the agreement of the applicant. London Councils believes that conditions are essential to ensuring development is appropriate and do not present a barrier to development. It is disappointing to this see this in the white paper and London Councils are working with Lords to oppose this legislation in the Neighbourhood Planning Bill.

Greater transparency through planning and build out phases

Measures will be introduced to require more information to be provided about the rate of housing delivery on individual development sites. London Councils welcomes this measure but requires clarification on how this data will be collected. It would be time consuming and expensive for boroughs to collect this data without resource.

Sharpening local authority tools to speed up the building of homes

Policy will be altered to national planning policy to encourage local authorities to consider how realistic it is that a site will be developed, when deciding whether to grant planning permission sites where previous permissions have not been implemented. A consultation has also been announced on whether an applicant's track record of delivering previous, similar housing schemes should be taken into account in determining planning applications.

London Councils believe that in practice it would be complex to implement this policy. Planners base their decisions to grant planning permission on the merits of individual applications and applicants leave sites unimplemented for reasons not related to planning. An analysis at the point of permission being granted also has limited value as the position of the market will change over the life of the development, changing developer behaviour.

Housing delivery test

The white paper introduces a new housing delivery test for local authorities. This test will assess whether the number of homes being built is below targets set for local authorities and where necessary trigger policy responses that will ensure that further land comes forward. If the target level of housing is not being built in a local authority area the government proposes to put in place measures ranging from enforcing local authorities to put in place action plans to forcing them to allocate more land for development or implementing a presumption in favour of sustainable development for all planning applications.

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London Councils believes that this proposed policy is overly punitive on authorities. Local authorities have limited control over the build out rate of housing in their areas, the only power they have is the ability to grant planning permissions. In London, boroughs have consistently granted permissions above the London Plan target. Developers build housing out at the rate the market dictates will allow them to secure the expected house prices they have entered into viability assessments. Taking negative actions against local authorities for slow developer build out rates is unfair, especially when no fetters of restraints are put on developer behaviour. One pre-briefed suggestion was to place time restrictions on permissions but this has not been included in the paper. It also could be constructive to consider councils working with developers on meanwhile use of sites when awaiting development.

Chapter 3: Diversifying the housing market

Decision not to introduce a requirement for a small sites register

London Councils welcomes this decision as London boroughs have demonstrated that they are already good at identifying small sites for small development and we welcome the avoidance of further burdens on already under-resourced local authorities.

Accelerated construction and custom build

London Councils welcomes the opportunity to use new construction methods and to diversify development. New methods of construction must be additional rather than instead of traditional methods, and in particular we note the risk to the supply pipeline posed by the ongoing skills crisis and Brexit. The Accelerated Construction programme in London is still to be defined, and much of the money allocated is does not seem to be new investment.

Building more homes for private rent

Build to Rent can play a positive role in meeting housing need in London and London Councils welcome changes to the NPPF that ensure local authorities know they should plan pro-actively for Build to Rent. London Councils also welcomes a commitment to ensure that family –friendly three year tenancies are available in these schemes and believe there will be appetite from local authorities to provide longer term tenancies for families. There are many of examples of best practice of build to rent housing including longer family tenancies in London.

Backing Local Authorities to Build

London Councils welcomes a commitment to seek to address issues that hold local authorities back from building homes. The potential introduction of right to buy for homes delivered by local authorities outside of the housing revenue account is however extremely unwelcome and could lead to a further loss of affordable stock. London Councils will be keen to assist government in assessing options for increasing the supply of housing in all tenures by local authorities. Government could also examine further measures to encourage local authorities to build such as greater flexibility to use right to buy receipts and borrow against the housing revenue account.

Chapter 4: Helping people now

Starter Homes

Starter Homes are to be altered to have an income threshold (£90,000 maximum income in London) and a 15 year discount repayment period. The NPPF will also be altered to include an expectation that housing sites should deliver a minimum of 10% affordable home ownership units. London Councils believes boroughs should deliver products that best meet local need. London Councils welcomes the change of focus from starter homes to a wider range of affordable housing, relaxing restrictions on funding so providers can build a range of homes including affordable rent.

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Housing for our future population

London Councils welcomes the duty for the Secretary of State to issue guidance for local planning authorities on how local development documents should meet the housing needs of old and disabled people.

Homelessness

The paper notes government support for Bob Blackman's Homelessness Reduction Bill. London Councils supports the intentions of the bill, but has raised concerns that the increased duties it places on local authorities need to be fully funded. We estimate the impact would be in the region of £77 million across the 33 London authorities in one year and will lobby Government to ensure that boroughs are sufficiently resourced to implement this legislation.

Commentary

London Councils will work with boroughs to analyse and assess the impacts of the proposed policy set out in the white paper. We will reply to the consultation which has been released alongside the White Paper to raise concerns and aim to achieve greater flexibilities around the use of right to buy receipts, borrowing against housing revenue accounts and permitted development as well as other areas.

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[Click here to send a comment or query to the author](#)

Links:

[Fixing our broken housing market \(pdf\)](#)

[You can respond to the consultation here \(link\)](#)

This member briefing has been circulated to:

Portfolio holders and those members who requested policy briefings in the following categories: Housing and Planning