

# Leaders' Committee

## Planning for Housing Delivery

Item no: 6

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**Summary**                      London's planning system has undergone significant reform in recent years, with the introduction of the National Planning Policy Framework (NPPF), further subsidiary reforms and a revised London Plan. The reforms have placed a particular emphasis on increasing housing delivery.

This report summarises the current London policy context and proposes a framework for future London Councils activity to promote the role of planning in new housing supply.

**Recommendations**      Leaders Committee is invited to:

- Endorse the proposals for policy work contained in paragraph 29
- Note and comment on any of the issues raised in this report.

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# Planning for housing delivery

## Introduction

1. This report informs leaders of the current policy context with regard to planning for housing delivery, and sets out the ways in which London Councils may seek proactively to influence public debate and government policy on the issue. It particularly highlights the cumulative impact of recent government policy initiatives and the likely renewed focus on the issue following the general election.
2. The report emphasises the importance of making a positive case for the role of local planning, informed by examples of good borough practice. In this context, leaders are invited to consider the case for London Councils to renew its policies and lobbying approach on issues relating to planning for housing delivery.
3. The use of the planning system for the delivery of affordable housing is a particular focus of the report, so it may contribute to emerging propositions on housing delivery through devolution and public service reform reported elsewhere on this agenda. Leaders are invited to approve a framework for programme of activity to commence after the election in which London Councils seeks to influence decision makers and be a prominent voice in the public debate in this policy area.

## Background

4. The national planning system has undergone substantial reform over the period of the coalition government. The National Planning Policy Framework (NPPF) revised and consolidated national policy in a single streamlined document, while all regional planning frameworks outside London were abolished.
5. Since 2012 there has been a succession of further incremental reforms to the planning system, all with the stated intention of streamlining decision-making and helping accelerate development. These include the extension of permitted development rights, new rights for developers to challenge Section 106 agreements and initiatives to accelerate development on brownfield land.
6. The cumulative impact of these reforms has been to reduce the ability of boroughs to shape growth in the interests of their areas, particularly with regard to the provision of affordable housing.

7. London Councils has taken the position that planning powers should, so far as possible, be retained at a local level. This helps to ensure that boroughs are able to support and shape growth in the interests of their residents. It has promoted this message through its policy and lobbying activity.
8. However, the scale and pace of government reforms to planning has meant that the national and London policy context has changed significantly in recent years, no more so than in the area of housing delivery. In this light, it is ever more important that London local government can make a proactive and systematic case for the role of planning in supporting new development and shaping sustainable neighbourhoods.
9. This paper summarises the changing policy context of planning for housing delivery in the capital. It proposes that London Councils refresh its policy positions in this area around a number of broad themes, to help it make the case for boroughs to be better supported by government in fulfilling their housing delivery objectives. A principal emphasis is on the ways in which boroughs can use the planning system to support the delivery of affordable housing.

## **House building in London**

10. Following a significant decline after the recession, housebuilding activity has recovered somewhat in London in recent years, though it is still nowhere near the level necessary to properly address the housing crisis in the capital.
11. The Mayor's Further Alterations to the London Plan (FALP) are based on the assumption that a minimum of 49,000 additional homes are needed a year to meet demand, and that there is land available for a minimum of 42,000 additional homes to be delivered over the next ten years to 2025. This London-wide figure is broken down to an individual ten-year and annual monitoring targets for individual boroughs.
12. This is a highly ambitious target which has rarely been reached, but in recent years annual housing completions have fallen even below their historic average, often lying at below 20,000 a year. There was a substantial decline following the 2008 financial crisis and annual completions have only just begun to recover.

13. The planning system has been criticised for being cumbersome and bureaucratic and, at worst, for inhibiting the delivery of new housing through delays to decision-making or restrictive local planning policies.
14. Given the scale of the housing shortage in London it is, of course, crucial that the planning system is capable of supporting sufficient housing delivery. However, in recent years permissions have been granted by London's boroughs for approximately 55,000 additional homes per year. There therefore needs to be a greater policy focus on why such a small proportion of permitted homes are ultimately delivered.

## **Recent reforms**

15. On taking office in 2010, the government undertook planning reforms on the basis that local communities were best placed to decide the direction of housing growth; and that the planning system should be streamlined to avoid unnecessary bureaucracy in the delivery of new development, and in particular the delivery of new housing.
16. The government proceeded with its predecessor's plans to introduce the Community Infrastructure Levy (CIL) and did not initially seek reforms to the 'Section 106' system of planning obligations. Later in the parliament, however, it began to review the system and to introduce changes which often in practice had the effect of reducing the value of these obligations.
17. In particular, the government's reforms placed a greater weight on 'development viability'. The NPPF stated that development "should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened". Developers are now also able to challenge previously agreed planning obligations where they perceived that changing market conditions have made these unviable.
18. In addition, the value and extent of CIL and planning obligation contributions has been further reduced by recent changes to policy and practice. These include:
  - Extension of permitted development rights to cover office to residential conversions, on which no affordable housing contributions can be sought
  - Boroughs no longer able to seek Section 106 contributions on developments of fewer than 10 units

- Introduction of the 'vacant building credit' by which boroughs may only seek affordable housing contributions on building conversions where the development results in a net increase in floorspace
  - Increased use of Mayoral call-ins to determine major applications
19. Partly as a consequence of these changes, the delivery of affordable housing through Section 106 agreements has fallen since its peak in 2008-09 when it contributed over 60% of new affordable housing supply across England. This has fed into a reduction in overall affordable housing delivery.
20. The debate over the role of planning in housing delivery is also disproportionately oriented towards those who see the planning system as an obstacle which needs to be removed where possible to support new housing, rather than as a proactive means of facilitating development. The past consensus on the importance of developer contributions to affordable housing and infrastructure has eroded as exemptions such as those listed above are introduced.
21. There is also a prevailing view that planning delivery powers can be more effectively used at Mayoral than at borough level, to support development of strategic importance to the capital. Some think tanks have argued that further planning powers should be transferred to the Mayor to accelerate development of new housing in particular, while the Chancellor has recently suggested that the unit threshold for Mayoral "call-ins" should be reduced.
22. There are many examples of good borough practice in using the planning system to support delivery, including masterplanning initiatives, collaboration with developers and coordination of activity with other public bodies. These can be used to make a positive case for the retention of planning powers in local hands, and to counter the argument that boroughs' responsibilities should be taken away or transferred.

### **Challenges in affordable housing delivery**

23. Boroughs are expected to meet annual monitoring targets for the delivery of affordable housing, which form a significant proportion of their overall housing target. However, in an environment in which direct subsidy for affordable housing is limited and councils have limited resources with which to make their own provision, it could reasonably be argued that

Section 106 contributions need to play a critical role in future delivery. In practice, however, better-resourced developers are often able to challenge and reduce affordable contributions on new schemes.

24. As a consequence, affordable housing delivery risks being increasingly seen as an obstacle to the delivery of additional housing supply, rather than an important component of it.

### **Proposals: making a case for planning**

25. The ultimate objective of London Councils' policy work in this area should be to ensure a planning system which can adequately support the delivery of the housing London needs at the right scale and in the right mix of types and tenures. To this end, the case can be made that planning powers should be retained and enhanced at a local level so that boroughs retain an effective role in supporting housing delivery.

26. In order to achieve this, it is necessary at the outset to make a positive public case for the role of planning and the many ways in which it can help facilitate effective delivery of development.

27. This might include:

- Making the case for permitted development to be determined locally, so that (for example) office-to-residential conversions provide the type and quality of housing needed by Londoners
- Sharing good practice with regard to Section 106 and viability negotiations, and considering whether a coordinated approach from boroughs may help support increased delivery of affordable housing through planning obligations
- Resisting policies such as the vacant building credit which allow developers to avoid planning obligations, and making the case for new policies which enhance provision of affordable housing through the planning system
- Promoting examples of how planning helps accelerate development, for example through masterplanning and area action plans which lay much of the groundwork for high quality schemes; pre-application discussions and planning performance agreements; initiatives to support land assembly and site remediation

- Developing policies on how to cut the 'red tape' which prevents the planning system from working as efficiently and effectively as it could do
- Making the case for a more proactive role in (for example) land assembly so that councils go beyond their statutory role of designating land for development, and make a more systematic contribution to readying it for development
- Sharing good practice in relation to the use of local planning tools such as Article 4 Directions and Local Development Orders
- Addressing issues around undeveloped land held by both the public and the private sectors and considering how London local government may tackle the barriers that prevent this land being delivered for housing.
- Considering how the planning system may be used to secure additional value for boroughs in supporting housing delivery, for example through land value uplift generated by the granting of planning permission
- Considering how the planning system can more effectively support a broader range of tenure types, for example covenanted private rented housing and intermediate housing products such as shared ownership and intermediate rent

## **Conclusion**

28. London Councils has undertaken a series of individual responses on planning reform and housing delivery in recent years. Given the increasing profile of the issue, there is now a more pressing need for London local government to take a robust strategic position on the issue, and to seek policy outcomes and joint initiatives which reflect its view that locally-driven planning is the best means of delivering the new housing development that London needs.

29. Leaders are therefore invited to consider:

- Agreeing to support development of a more comprehensive and effective approach to managing Section 106 agreements and development viability negotiations



- Promoting a wider understanding of how boroughs are using their planning powers and resources to support growth in their areas
- Supporting development of wider London Councils proposals for planning reform which will assist boroughs in enabling additional and accelerated housing delivery

30. Leaders are invited to consider agreeing to explore the above proposals, with specific initiatives based on these being taken forward after the general election.

## **Recommendations**

Leaders Committee is invited to:

- Endorse the proposals for policy work contained in paragraph 29
- Note and comment on any of the issues raised in this report.

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## **Financial Implications for London Councils**

None

## **Legal Implications for London Councils**

None

## **Equalities Implications for London Councils**

None