

Insight focus

FEBRUARY 2017

'Fixing our broken housing market': Housing White Paper

Overview

'Fixing our broken housing market', DCLG's Housing White Paper, has been published today; it includes a series of consultation questions, with a [Build to Rent \(BtR\) consultation issued](#) alongside.

Responses to both have to be submitted by 2 May.

Launched in the House of Commons by Communities Secretary Sajid Javid earlier today, the Government defines its proposals as four steps to achieving the objective of boosting new housing supply to deliver 'between 225,000 and 275,000 homes every year'. The steps are:

1. Planning for the right homes in the right places (principally by using local and neighbourhood plan policies)
2. Building homes faster (mainly by better linking infrastructure with housing development, more efficient development management and addressing skills shortages)
3. Diversifying the housing market (focussing on increasing the numbers of small and medium-size builders, promoting more forms of tenure and encouraging 'modern methods of construction')
4. Helping people now (by helping meet all of the population's diverse housing needs)

When Housing and Planning Minister Gavin Barwell spoke a few days before the White Paper's publication, he

was clear that the Government's proposals would change the tone away from previous Conservative policy and David Cameron's focus for much wider home ownership. He was right: 'Fixing our broken housing market' is instead a document that succeeds in bringing together all of the strands of England's complex housing market, and then connecting them to take a holistic approach to getting more homes built (and brought back into use). Most importantly, it is drafted in such a way that it reduces the risk of a hiatus in housebuilding – recognising that housing delivery ran at a very high rate in the last year, the Government should be praised for putting forward all of its latest and extensive suggested measures for consultation as a single package over the next three months.

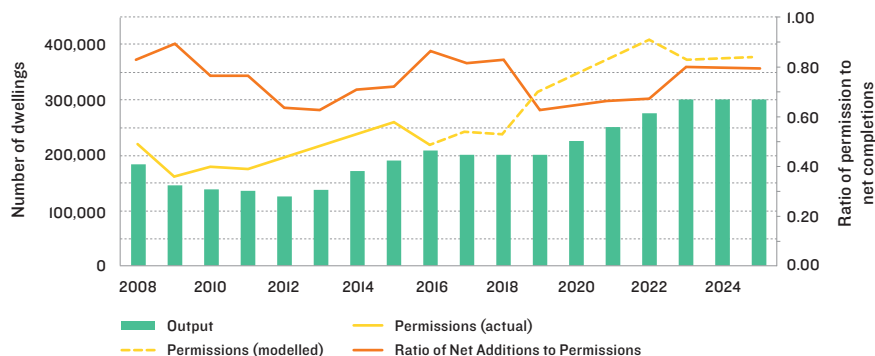
Overall, the White Paper represents a sensible smoothing of the 'rough edges' of a planning system in England that saw nearly 200,000 net housing completions in the last year, despite only around one third of local planning authorities having a post-National Planning Policy Framework (NPPF) adopted local plan.



FIGURE I

At the heart of the Housing White Paper, Fixing our broken housing market, is a recognition that more land needs to be allocated for housing through the Local Plan process. In Lichfields' recent research piece, Stock and Flow, we built a flow model that explored the relationship between permissions and output. Our estimates show that to build one million homes by 2020 – and then increase output to 300,000 by 2025 – the annual flow of permissions needs to increase to 240,000 units per year over the next few years before reaching 380,000 to 400,000 per year in 2022 onwards.

Figure I : Ratio of Net Additions to Permissions



Source : ONS, Lichfields analysis

LICHFIELDS

Measures affecting councils and developers



At the moment we're simply not building quickly enough.

Whether it's caused by unacceptable land-banking or slow construction, we will no longer tolerate such unjustified delays.

We will speed up and simplify the completion notice process.

We will make the planning system more open and accessible.

We will improve the co-ordination of public investment in infrastructure and support timely connections to utilities.

And we will tackle unnecessary delays caused by everything from planning conditions to great crested newts.

We'll be giving developers a lot of help to get building.

And we'll give local authorities the tools to hold developers to account if they fail to do so.

Communities Secretary Sajid Javid, launching and summarising 'Fixing our broken housing market', the new Housing White Paper, in the House of Commons on 7 February 2017

What the Government expects of councils

The Government expects a great deal from councils, in return for helping with better-planned and funded infrastructure and a commitment to a 20% increase in planning application fees from July this year (with that increase being ring-fenced to planning departments). And that is not all, as this fee income boost should be supplemented in future with a yet-to-be-consulted on further 20% for the authorities 'who are delivering the homes their communities need'.

Also on the development management side, the Government intends to encourage local authorities to use completion notices more by simplifying the existing rules, so as to deter developers from implementing permissions simply by the most minor of material starts. To assist with decision-making, LPAs will also be able to require more information from developers about the timing and build rates of their new housing.

In return, the Government is asking local authorities to be 'as ambitious and innovative as possible to get homes built in their area' – one means will be a new freedom to choose the most effective way possible of setting out 'key strategic policies', to encourage more interventions on land assembly and intervening to get development moving.

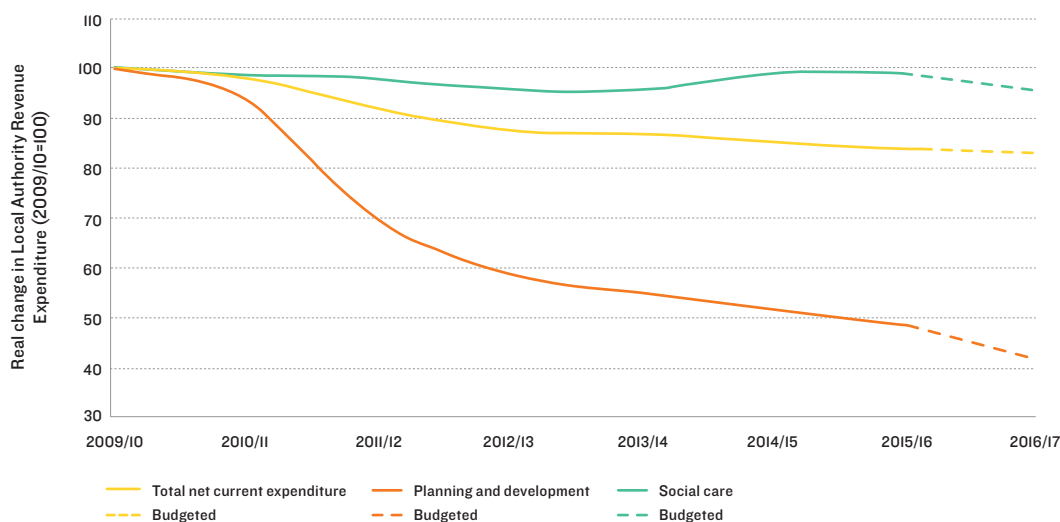
New rules will require LPAs to review all of their local development documents at least once every five years (i.e. their local plans and supplementary planning documents alike). It is also proposed that councils (either acting alone, or with neighbouring authorities e.g. with a joint 'Statement of Common Ground') will have to develop an up-to-date plan meeting their housing requirement.

A new (previously consulted-on) housing delivery test will be introduced and where the number of homes being built is 'below expectations', it will provide a mechanism for establishing the reasons why, and 'where necessary trigger policy responses that will ensure that further land comes forward'.

Councils will have to take on board some of the 2016 recommendations of the Local Plans Expert Group via proposed NPPF changes; the Government has today endorsed a number of them. In particular, a new, standardised approach to assessing housing requirements will be consulted on, as well as annual five year housing land supply sign-offs, and a tighter definition of what constitutes a 'sound' local plan.

Councils will also have to better integrate their local plans with neighbourhood plans – they will have to give neighbourhood planning bodies their own housing requirement figure and take into account the resulting plans allocating small sites that are suitable for housing. It is clear that neighbourhood plans are here to stay but it is right that they work harder and deliver more housing.

Figure 2: Real change in local authority revenue expenditure (2009/10 to 2016/17)



Source: DCLG, HM Treasury, Lichfields analysis

What the Government expects of private developers

The intention is that private developers are given ‘the tools they need to build more swiftly’ in the White Paper but they do not get off lightly either, in terms of Government expectations. The Government expects them in return ‘to build more homes, to engage with communities and promote the benefits of development, to focus on design and quality, and to build homes swiftly where permission is granted’. They are also being expected to invest in research and their skills base, creating ‘sustainable career paths’ and bringing forward ‘thousands of new skilled roles’.

Cross-referring to the Government’s recently published [Industrial Strategy](#), developers are also being expected to respond positively to the Government encouraging modern methods of construction in house building.

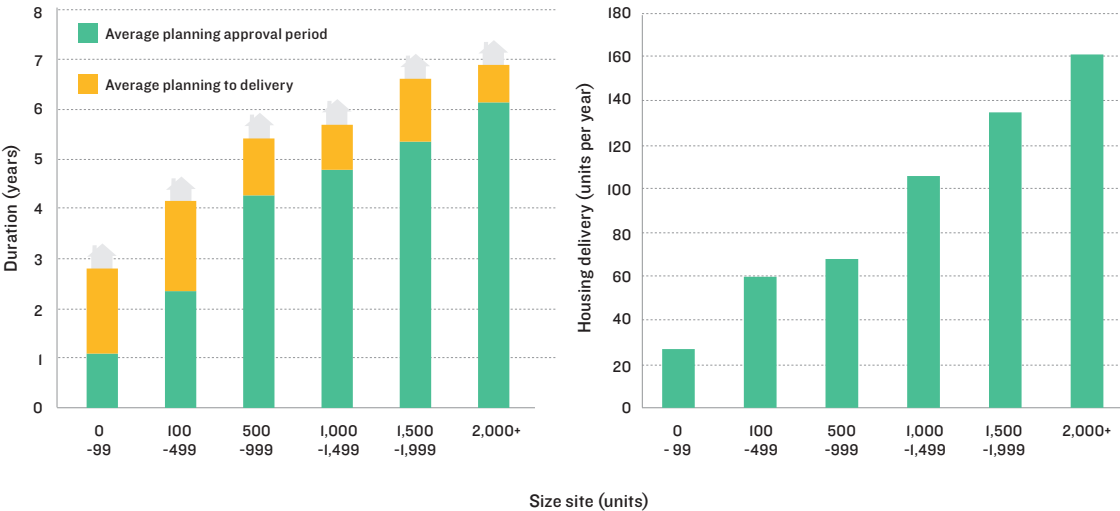
The Government says that its expectations are high because it is offering a planning framework that is more supportive of higher levels of development, for example by promoting intensification in urban locations through changes to the NPPF. The [Accelerated Construction programme](#) will also particularly help small and medium-sized builders access loan finance, according to the White Paper.

In referring to ‘quicker and more effective processing and determination of planning applications’ as being another benefit for private developers, the White Paper does not actually add anything new to the measures regarding limiting the use of pre-commencement conditions - and conditions generally - that are already in the Neighbourhood Planning Bill.

A fundamental uncertainty still remains however, regarding developer contributions simply because no amendments have yet emerged to address the deficiencies of the community infrastructure levy. Only an independent report reviewing CIL has been published so far.

The Government’s proposals dip a toe in the water in terms of deterring alleged land banking but it has rejected the more outlandish measures suggested to it and proposes to consult on the more difficult proposals such as taking account of past delivery performance.

Figure 3 : Planning time and housing delivery by site size



Source : Lichfields analysis



By building the homes Britain needs and giving those renting a fairer deal, we will give those growing up in society today more chance of enjoying the same opportunities as their parents and grandparents. It will ensure that the housing market is as fair for those who don't own their own homes as it is for those that do. This is a vital part of our Plan for Britain and a critical step along the road towards fulfilling the mission I have set out to make Britain a country that works for everyone.

Prime Minister Theresa May, writing in the Foreword to 'Fixing our broken housing market'

Build to Rent: longer tenancies and affordable private rental homes

As the clear intention behind the Housing White Paper is for the Government to explore all possible ways to increase housing supply, a section on 'Attracting institutional investment: building more homes for private rent' provides the long-awaited framework for the Build to Rent sector. The Government's support for Build to Rent also relates to other White Paper objectives, such as an 'improvement in choice and standards for people living in privately rented homes', the adoption of 'modern methods of construction' and their support to 'help regenerate local economies'.

The Government proposes to support Build to Rent by amending the NPPF, so as to incentivise authorities to 'plan proactively for Build to Rent where there is a need' and introduce 'affordable private rental homes' as the Build to Rent-related affordable housing contribution. Finally, the Government is proposing to ensure that 'family-friendly tenancies of three or more years are available'.

On affordable private rental homes, the definition provided in the 'proposed definition of affordable housing' box - found in the 'further detail and consultation on proposals' annex is particularly useful. Affordable private rental homes are defined as dwellings that are 'made available for rent at a level which is at least 20% below local market rent'. Moreover, eligibility is to relate to 'local incomes and local house prices', while 'provisions should be made to ensure that affordable private rent housing remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn'.

It is the Government's intention that the proposed changes would help attract institutional investments into the industry, such as pension schemes which 'are increasingly regarding housing as an appropriate investment'.

Small sites, small and medium builders, higher support

To achieve the Government's clear goal of increasing housing supply, the White Paper provides a detailed framework to deal with the needs and requirements of 'a diverse and vibrant group of housebuilders'.

The first group the Government aims to support are small and medium-sized builders, as these 'have been declining and were hit hard by the recession'. The proposals to support the sector clearly link to the need for releasing more small and medium-size sites; to do so the Government will amend national policy to request local planning authorities to have policies that support the development of small 'windfall' sites, currently not allocated in plans. In particular, the intention is to stress that 'great weight should be given to using small undeveloped sites within settlements for homes', where possible and suitable for residential developments.

The Government proposes additional changes to the NPPF, so as to ensure that 'at least 10% of the sites allocated for residential development in local plans should be sites of 0.5 hectare or less' and local authorities will cooperate with developers with the aim to 'encourage the sub-division of large sites'.

Interestingly, the Government has decided not to introduce 'the requirement for local authorities to keep a small sites register'; as explained in the document, this decision follows the consultation [launched](#) last year in relation to the provisions included in the then-Housing and Planning Bill.

Statutory plans to include design expectations

A much-needed (and very welcome) focus on quality and design is proposed by the Government, with particular regard to communities and neighbourhood plans. To improve the current approach to developments' design, the Government aims to amend the NPPF to:

- require local and neighbourhood plans (and 'more detailed development plan documents') to set out 'clear design expectations following consultation with local communities';
- reinforce the importance of pre-application discussions (involving local community) on design and types of homes provided; and
- clarify that design 'should not be used as a valid reason to object to development', where it respects design expectations set out in statutory plans.

The ratio behind these Government proposals is explained in the preamble:

"73% of people say they would support the building of more homes if well designed and in keeping with their local area."

Affordable housing: more tenures and certainty for starter homes

Affordable housing represents the central theme of the fourth and last section of the Housing White Paper, 'Helping people now', which details the short-term measures the Government intends to implement. Among these, the anticipated shift towards offering a wider array of tenancies rather than the previously-dominant home-ownership focus is probably the main headline.

The Government is 'opening-up' its £7bn Affordable Homes Programme to reduce funding restrictions for specific tenures, so that providers can build different housing products 'including for affordable rent'.

However, the main (and probably most expected) news concerns starter homes and related detailed provisions, as most of these have been 'off the radar' since May 2016. The uncertainties surrounding starter homes were many and the Government has now (at least partly) addressed four of these:

- There will be a household income cap of £80,000 (or £90,000 in London) to be eligible for starter homes; moreover 'eligible first time buyers will also be required to have a mortgage';
- The long-debated taper approach will last for 15 years, during which if the property is sold on to a new owner '[.] some or all of the discount is repaid';
- As the Government's rhetoric has shifted towards 'a mixed package of affordable housing that can respond to local needs and local markets' the intention is to change the NPPF to request that 'housing sites deliver a minimum of 10% affordable homes ownership units'; and
- The updated expectation is now for 'over 200,000 people to become homeowners by the end of the Parliament'; the previous Government's 200,000 starter homes' target seems now gone for good.

Finally, the consultation proposal underlines the intention to 'publish a revised definition of affordable housing' (the proposed one includes 6 categories), which would also include a definition of 'affordable private rented housing', specifically thought for Build to Rent schemes.



Green Belt remains sacrosanct

Despite early rumours and newspaper headlines, the Government does not propose to change the Green Belt's status; on the contrary, the Government's position is 'to retain a high bar to ensure the Green Belt remains protected' in accordance with the Manifesto commitment from 2015.

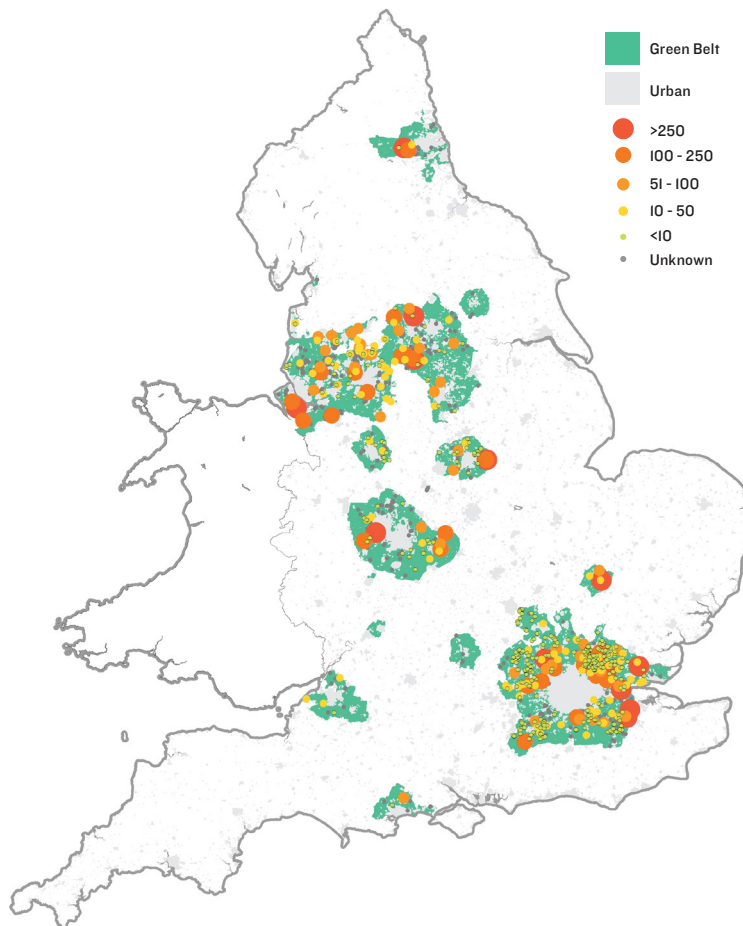
The Government proposes to amend national policy to clarify that:

- Green Belt boundaries should be amended 'only when' the LPA can demonstrate to have examined 'fully' all other reasonable options; these options include, brownfield sites, estate regeneration, underused and surplus public sector land, among the others; and
- where Green Belt land is lost, 'local authorities should require the impact to be offset'; this can take the form of 'improvements to the environmental quality or accessibility of remaining Green Belt land'.

The imposition of clearer tests for defining 'exceptional circumstances' for Green Belt reviews may help LPAs explain more clearly why they are making these difficult choices. But no new guidance is promised – this being an area of plan-making where it is perhaps needed the most.

Interestingly, and as previously consulted on, the Government proposes to allow 'development on brownfield land in the Green Belt', but only for development with 'a higher proportion of starter homes' and where 'there is no substantial harm to the openness of the Green Belt'.

Figure 4 : Estimated housing capacity of brownfield sites on Green Belt land



Source : NLUD (2010, 2011, 2012), Lichfields analysis

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