

Budget Review 2017

Briefing Note

24/11/2017

Ref No: 282

Introduction

On the 22nd November the Chancellor of the Exchequer, Philip Hammond, delivered a Budget speech which included a number of measures with direct implications for planning and housing development. Below is a summary of the key relevant announcements and DLP's thoughts on what the announcements will mean on the ground.

Target to build 300,000 new homes a year

The Chancellor set out the Government's target to deliver 300,000 net additional homes a year between 2020 and 2030. A number of measures have been put forward to seek to achieve this, including:

- Increase the Housing Revenue Account (HRA) caps for Councils in areas of high affordability pressures for housing, to allow Councils to build.
- £8 billion of financial guarantees has been allocated to support the private housebuilding sector, which the Government has stated should be focused upon urban areas to best utilise the land and to maintain protection of the Green Belt.
- Government will support the building of high quality and high density housing in city areas and around transport hubs.
- The Government see the long term solution to housing, being in increasing the amount of housing available on the market, as such they have dedicated £44 billion of capital funding, loans and guarantees to support the housing market.

DLP view: The principle of setting of ambitious housebuilding targets for the next decade is welcomed, but it remains to be seen how and whether this will be achieved given the continuing uncertainty over the government's approach to planning. Although housebuilding has increased slowly since the recession, a target of 300,000 homes per annum is highly ambitious and will require a 'step-change' in build rates and permissions if it is to be achieved and also changes

in other areas such as labour, materials and funding. The Government's continued strong protection for the Green Belt is itself however, unhelpful, even if not entirely unexpected from a political point of view. There remains a strong perception that the government is not committed to change, notwithstanding its public pronouncements.

Garden Towns

The Chancellor set out the Government's intention that New Town Development Corporations, funded through a combination of public and private money, will be utilised to facilitate the delivery of five new Garden Towns, to alleviate housing pressure in areas of high demand such as in the South East.

DLP view: It is not clear where the five New Towns will be located, but it is understood these may be in addition to the three Garden Towns already planned for at Aylesbury, Taunton and Harlow & Gilston. Are they therefore a rehash of the former eco towns proposed by Labour?

Whilst we welcome the proposals to build a series of sustainable and well planned new settlements, these are notoriously complex to deliver and can take a number of years before homes are built. They must therefore continue to be supplemented by a supply of smaller and medium sites to ensure housing targets can be met in the short term.

Infrastructure levy to capture land value uplift and Community Infrastructure Levy (CIL)

Although the budget did not address the previously recommended revisions to CIL, as had been anticipated, it does note the need to alter the current process. This will entail speeding up the process and revise the mechanism for allowing the CIL to respond to changes in the market.

Furthermore, it will adjust the current rates for uplift in land values to allow for the Government to fund

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projects such as the Oxford-Cambridge Expressway.

DLP View: The final report of the CIL Review Group was published alongside the Housing White Paper in February 2017, so it is disappointing that the Government is still yet to take on board the recommendations made and improve the CIL process to speed up housing delivery.

Deallocation of Sites

The Government is proposing to consult on proposals to 'deallocate' sites which have no prospect of delivery.

DLP view: We await to see the detail in the consultation documents, but this is likely to be positive if it prevents LPA's from relying on allocations that have no prospect of coming forward for development.

Review of 'Delivery Gap'

The Chancellor reported that in London there are around 270,000 residential housing permissions which are as of yet unbuilt. The Chancellor announced that a review of this issue has been commissioned and will be overseen by Sir Oliver Letwin and is due to be published in the Spring of 2018. If the reasons for the land being withheld are commercial as opposed to technical the Government will intervene to ensure the land is brought forward for development, and if required they will enact compulsory purchase powers.

DLP view: This is a highly controversial topic but many politicians are adamant that 'land banking' is the fundamental barrier to building more homes, but as most in the industry will agree this is not widespread and generally misses the issue caused by delays in the planning system. It will be interesting to see what Sir Letwin's review finds, but we suspect that in most cases there are valid technical reasons why sites do not come forward for development immediately after being granted consent, including delays in discharging onerous and unnecessary pre-commencement conditions.

Cambridge to Oxford Growth Arc

Following the National Infrastructure Commission (NIC) report on the Cambridge-Milton Keynes -Oxford corridor earlier in the month, the Government has now

backed this vision and committed to building up to one million homes by 2050 which broadly speaking will require a doubling of housing numbers.

This will be aided by road and rail infrastructure improvements within the Arc including East West Rail and the Oxford to Cambridge Expressway. It has also been agreed with authorities in Oxfordshire that they will deliver 100,000 homes by 2031. This is proposed to form a dynamic new growth corridor which is fit for the 21st Century and builds upon the country's top universities and largest New Town.

DLP view: Having attended the National Infrastructure Commission's workshops on the Oxford-Milton Keynes-Cambridge Growth Arc, DLP welcomes the Chancellor's commitment to growth in this area. In particular we support the Government's intention for 'strategic and zonal planning approaches', as the arc crosses a number of individual LA boundaries.

Plan to boost the supply of small sites and housing delivery test

The Chancellor announced the Government's intention to consult on measures that would require local authorities to bring forward 20 per cent of their housing supply as small sites. The intention being to help speed up the building of new homes and supports the government's wider ambition to increase competition in the housebuilding market. Linked to this a £1.5bn allocation to the existing £3bn Home Building Fund for loans to SME housebuilders was announced.

Government will also consult on strengthening the housing delivery test with tougher consequences where planned homes are not being built and to speed up the development process by removing the exemptions from the deemed discharge rules.

DLP view: Small sites are crucial to ensuring a steady and constant supply of housing, so measures to further promote allocations of smaller sites are required. All too often DLP find that LPA's rely on a small number of large strategic sites to deliver their housing targets – often these sites do not deliver housing quickly enough, due to significant up-front infrastructure burdens.

Housing Infrastructure Fund

The Chancellor also announced that he will double the current Housing Infrastructure Fund by providing an additional £2.7 billion. The Government has also put aside £630 million in a move to try and unstick the delivery of around 40,000 homes which are estimated to be locked up in small sites.

DLP view: Many believe that it is unrealistic to expect the private sector alone to deliver the number of houses required and other sources of housebuilding i.e. public sector housebuilding is the only way to help achieve the step change in delivery required. It remains to be seen whether a re-brand of the HCA and new CPO powers is sufficient to boost the delivery of housing by the public sector.

Revamp for Homes and Communities Agency (HCA)

The Chancellor also confirmed that the Homes and Communities Agency is to be rebranded as 'Homes England' and will get new planning and compulsory purchase powers as part of an expanded role including support to local authorities and developers to deliver new housing and infrastructure.

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