

Small is beautiful

Delivering more homes
through small sites



Author: Andrew Walker, LGiU

Forewords



Small and medium-sized (SME) house builders have historically been responsible for building most of the new homes in the UK. However, in recent decades, and especially since the 2008 economic crisis, the numbers of and

output from this section of the industry has dropped off substantially. Many construction SMEs have moved away from house building, and many of the small developers still in operation face significant barriers to their ability to grow and build more homes.

Prime among these barriers are the relatively limited opportunities to develop small sites in many areas of the country. Where opportunities do exist, SME house builders often feel like they are battling against a planning system which can seem more geared to larger firms and large developments. This report seeks to look at how we can get past this and allow small sites to proceed more easily. It makes a series of very practical recommendations that can help us build more homes on small sites.

The strength of this report lies in the fact that it has been produced in partnership by the industry (through the FMB) and local government (through the LGiU). Together we have found solutions that both builders and councils can agree on. This constructive approach mirrors what many of the recommendations suggest – that a closer working relationship between SME builders and local authorities is at the heart of enabling more small scale development and delivering more of the quality homes we need. My hope is that this report can help play a key role in the forging of a new partnership between small builders and local authorities and that together we can help to solve the housing crisis.

Gary Lewis
National President of the FMB



The housing crisis has long been a fixture of public discourse. Yet we are still waiting for the step change needed to solve it.

This is partly a matter of resources and capacity. The planning process can

be complex and departments have severely depleted resources with which to manage it. Our survey in this report shows that a vast majority, nearly 90 per cent, of councils do not think that the target of one million new homes in England by 2020 will be met with current levels of resource in planning departments.

But it is also a matter of finding new approaches and new partnerships with a range of organisations and citizens across the public realm. To build homes that cater to diverse local needs we will need to think creatively, to look beyond the usual suspects and big players in house building.

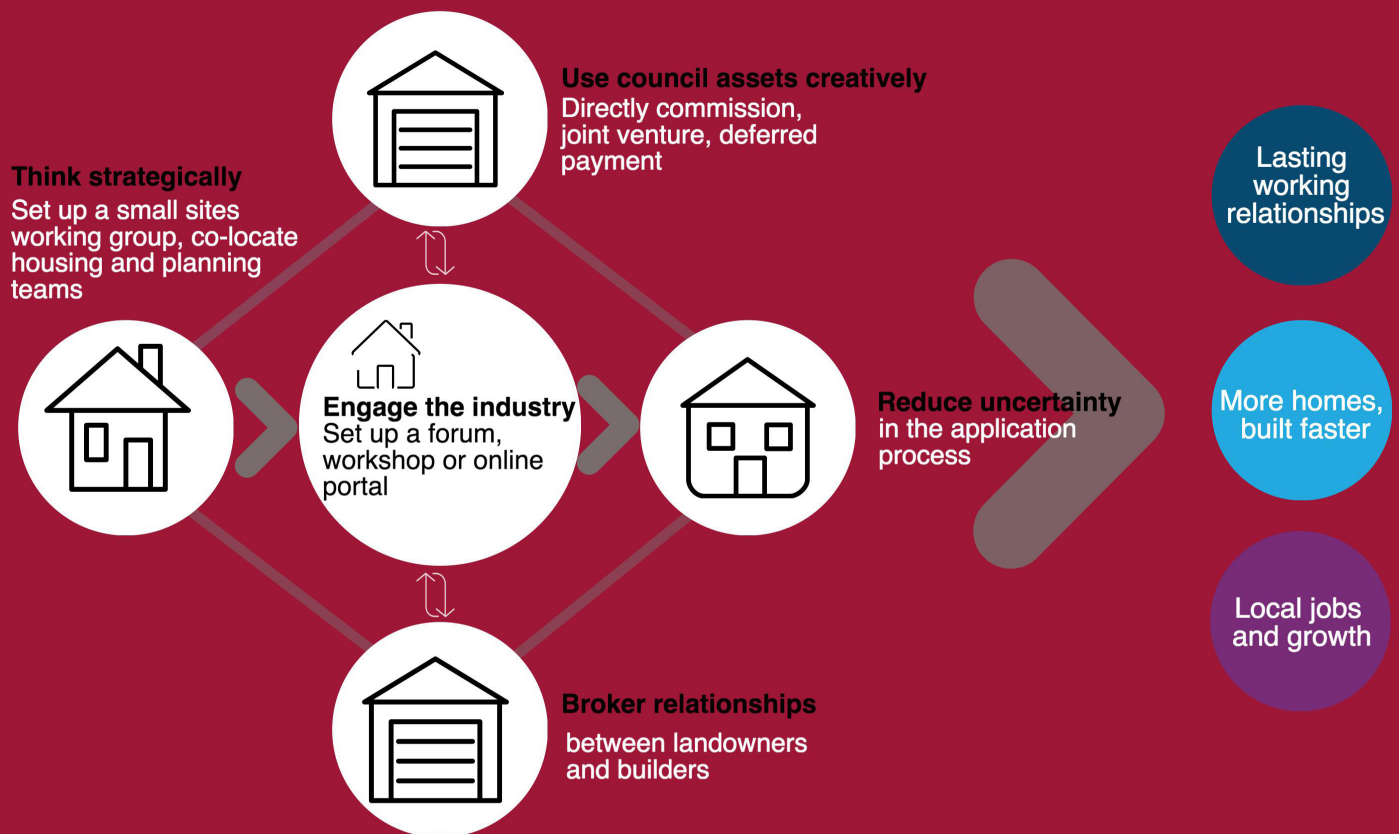
There is a large untapped potential in the small sites that exist around the country. But this is about more than meeting targets. It is about building homes and thriving places for people to live. By working with smaller local builders to unlock these sites, councils could also stimulate local economic growth, while providing jobs and training for young people in the area.

At LGiU we believe that many of the challenges we face as a society have local solutions. We work with our members, and with partners like the FMB, to think through these new approaches, supporting innovation in local government and civil society. This report contains recommendations and examples of best practice that we hope will do just that, enabling us to meet this most crucial of challenges.

Jonathan Carr-West
Chief Executive, LGiU

To build the homes we need, we must make better use of small sites...

What should councils do?



Our surveys told us....

SME builders agree planning departments need more resources

64%

Councils said "the quality of applications is often poor"

55%

Councils said the Government will not reach its target of one million new homes by 2020 with current resource levels.

87%

SME builders said "the planning system is too heavy handed"

79%

SME builders said local authorities do not proactively communicate or engage with them

80%

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Executive summary

We will not build the homes we need in the UK on large sites alone. In addition, we will need to find ways to unlock a range of smaller sites for development and work with small and medium-sized (SME) builders to develop them.

This report looks at some of the barriers to enabling small scale development and how these might be overcome. It draws together evidence from surveys of local authorities and SME builders, roundtable discussions involving both parties, and a series of interviews with planning officers. Key areas identified for improvement are allocation and use of land, resourcing and capacity, the planning application process, and engagement between the industry and local authorities.

Land: Survey responses suggest that in most areas sites suitable for small builders (taken here to be fewer than 30 units) make up the minority of housing delivery identified in local plans. There is a clear tension between SME builders' desire to see more small sites allocated and the resource and time implications for local authorities in identifying and allocating small sites. Where more small sites cannot be allocated, councils must instead be more proactive in promoting and publicising small site opportunities, and look to use their own assets creatively to increase opportunities.

Resources and capacity: Local authorities and SME builders agree that resource constraints within planning departments increase the challenges of enabling small site development. Delays and uncertainties in the permission process can be exacerbated by the

assignment of junior staff to deal with small applications and by gaps in in-house expertise on technical components of applications. Builders appear willing to pay increased fees if this is seen to result in improved and consistent service, but councils should also look to derive efficiencies from pooling resources.

Planning application process: Our research identified a clear tension over how the planning system is applied to small sites, particularly when they come forward as windfall applications. Small developers feel that the process is often too rigid and that uncertainty and delays involved can make small sites disproportionately difficult. Local authority officers highlighted poor quality applications and what they view as inadequate understanding of planning requirements by some small developers. In tackling this, builders need better guidance and wider adoption of good practices, but in return local authorities must seek to minimise uncertainty and complexity in the application process.

Engagement: Insufficient engagement and dialogue between local authorities and small locally-based builders exacerbates all of the barriers identified in this report. Improved engagement alleviates these issues. Therefore, establishing ongoing and systematic engagement between councils and builders is central to enabling more scale development, and this report identifies numerous ways and examples of how this can be achieved.

Recommendations

To help to support the delivery of more homes on small sites, the FMB and LGiU make the following recommendations, which are set out in more detail later in the report:

Land

1. Local planning authorities should be required to include within their local plans a strategic consideration of the contribution that small sites can make to local housing delivery, and how they can enable this to come forward.
2. Councils should seek to broker, where feasible, relationships between small builders and landowners.
3. Councils should use their assets creatively, including giving consideration to the use of direct commissioning, joint ventures and deferred payment models.

Resources

4. Councils should pool and share staff, skills and resources on a regional basis in order to be able to draw on the broadest range of skills and develop expertise in enabling small sites.
5. Central Government should give councils the power to set and vary planning fees locally where extra revenue can be ring-fenced and good service levels guaranteed.
6. Government should consider establishing a pilot “Small Sites Expert Task Force” to develop best practice and act as a source of expert advice on how to enable small scale development.

Improving the application process

7. Councils should seek to reduce complexity and uncertainty in the application process, through the use of coordinating codes, where appropriate, and through early engagement on key issues like conditions and Section 106 obligations.
8. Councils should set up internal “Small Sites Working Groups”, and/or co-locate housing and planning teams to ensure consistency of approach across the council.

Knowledge and understanding

9. The industry, led by the FMB, should produce a short ‘best practice’ guidance document for small builders on how to approach planning for small sites.

Engagement

10. Councils should improve their strategic engagement with SME house builders, including where possible by establishing developer forums, online portals or workshops for smaller builders.

Introduction

We are not building the homes we need in the UK. We will not do so if we continue business as usual. A step change is needed in how we approach development.

Large house builders building at volume on large sites will not alone be able to deliver the number of homes we need. Neither will they normally be interested in the many opportunities for small-scale development that exist across the UK. However, the cumulative potential of these smaller sites for the delivery of new homes is considerable and cannot be ignored.

These are exactly the type of sites of interest to SME builders. Yet the number of smaller house builders has fallen steeply in recent years and their output has not bounced back as fast as the volume builders. In the FMB 2016 House Builders' Survey, 'lack of available and viable land' was cited by two thirds (67 per cent) of SME builders as a major barrier to their being able to build more homes.

“‘Lack of available and viable land’ was cited by 67 per cent of SME builders as a major barrier to building more homes.”

If we are to build the number of new homes we need, and help create a stronger and more diverse house building industry in the UK, then we need to have a more systematic focus on how we better enable small scale development and the participation of small builders.

Local government has an important and transformative role to play here. Councils pull many of the levers that stimulate economic activity and help to shape places at the local level. They also have good reason to be interested – the economic and social benefits of a vibrant local construction sector will be recognised by most.

But in too many places, it is not happening. The purpose of this research is to investigate

the barriers and challenges associated with smaller scale development. It seeks ways to enable more small developments, and to promote collaboration between local government and SME house builders.

The research for this report included:

- A survey of local authority planning officers and elected members with a responsibility for planning and housing from England, Scotland and Wales.
- Specific questions included in the FMB House Builders' Survey 2016, the results of which have only been released here.
- Two 'small sites workshops', held between July and September 2016 in London and Leeds. These were attended by senior planning and housing officers, as well as SME developers.
- A series of interviews with local authority planning officers.

What is a small site?

There is no universally applicable definition of a small site. Variations in local geography and population density mean that sites that some planning authorities consider small, may be considered large by others. However, for the purposes of this report, we consider a small site to be one that is unlikely to be developed by large volume house builders, and for lack of a better measure have drawn this line at sites with the capacity for 30 units or less, or size of 1.5 hectares or less.

Given the wide variation between areas, an overly prescriptive definition or threshold for what constitutes a small site would not be helpful. It is important for councils to consider what constitutes a small site in their area, and to think creatively and imaginatively about how they might use them effectively and work with SME builders to develop them.

Section 1 – Background: Small sites and SME builders

Large builders alone are unlikely to be able to deliver the numbers of new homes that are needed by 2020 and beyond. Smaller sites cumulatively have the potential to help meet those targets, but we will need to support and foster a healthy market of SME builders to utilise them properly. Smaller sites and SME builders bring other benefits, such as faster build out times, greater flexibility and investment in local jobs and growth. This section makes the case for unlocking small sites and working with SME builders to develop them.

Drivers

Several key drivers have combined recently to push smaller sites and developers up the policy agenda:

- Central Government has a target of building one million new homes in England by 2020, with additional pressure to open up more public land for development and increase economic growth.
- There is an imperative on local authorities to deliver local plans and local housing targets.
- It is widely recognised that large house builders alone are unlikely to be able to deliver the numbers of new homes we need. This requires a focus on the opportunities smaller sites can provide and the cumulative potential of these sites.
- Smaller sites will typically be built out more quickly, in contrast to frustrations over the speed at which larger sites are built out, which is driving proposals for a ‘housing delivery test’.
- There has been a dramatic decline in the number of small house builders operating in the country, so a market-shaping approach is necessary, particularly given the renewed national focus on councils as agents of economic growth.

Central Government – England

There is a housing crisis in the UK. It is widely acknowledged that we are not building enough homes to meet increasingly high demand. By 2020 the Government aims to have built one million new homes. Some suggest that this target is too modest and will not be enough to actually meet increasing levels of demand.¹ Either way, the challenge is significant and will require ambition and bold action.

The target will not be achieved just through large developments, on large sites, built by high volume builders. There are not enough of these sites and there are not enough high volume builders with the capacity or incentive to develop them.

Instead it will be necessary to look for ways to enable more small sites for housing, and to ensure there is a diverse range of SME builders in local areas with the ability and support to build them out.

A look at the Government’s policy agenda for England suggests that utilising more small sites and promoting SME developers is becoming more of a priority here:

- Recent announcements include a £3bn “Home Building Fund”, which combines several existing funding streams. £1bn of this will be made available as loan finance specifically to small and custom builders, which the Government says will lead to 25,000 new homes being built.

1 Griffiths, M & Jefferys, P. (2013) Solutions for the Housing Shortage, Shelter: London ; House of Lords Select Committee on Economic Affairs (2016) 1st Report of Session 2016-17: Building more homes

- An “Accelerated Construction” programme, with £2bn earmarked to fund it, to promote the use of unused public land for housing development. This will include taking some larger sites and breaking these down into parcels suitable for smaller firms.
- National Planning Practice Guidance now states that affordable housing contributions “should not be sought from developments of 10-units or fewer, and which have a maximum combined gross floor space of no more than 1000sqm.”
- The Housing and Planning Act also introduced “Permission in Principle”, which local planning authorities can grant to brownfield sites in order to speed up housing development. This would mean that development is automatically agreed ‘in principle’, separately from the technical details of the application itself.
- Councils are also now required to produce “Brownfield Registers” of suitable sites in the local area. They are expected to promote development on these sites, both through the register itself and by granting Permission in Principle.
- Under the Self-build and Custom Housebuilding Act 2015, local authorities have a duty to keep a register of those wishing to acquire plots of land and to ensure that there are permissions in place sufficient to meet this demand.

The situation in Scotland, Wales and Northern Ireland is covered in a separate section of this report as the policy landscape is different in the constituent nations of the UK. However, most of the underlying issues, whether for local government or small developers, are similar, and the analysis and recommendations developed in this report are intended to be broadly applicable across the UK.

Local government

Local government has an important leadership role to play in this agenda, as well as an imperative to act.

Councils are expected to deliver ambitious housing targets at the local level. They are required by the National Planning Policy Framework (paragraph 49) to identify and maintain an up-to-date five-year land supply, on which housing is deliverable. If they do not do this, planning policies may be considered out of date by the Planning Inspectorate. Where policies are out of date, there is a presumption in favour of development and councils lose a degree of control over development.

Councils are also required to submit completed and approved Local Plans by early 2017. Where this, or the five-year land supply requirement, have not been met, they run the risk of central Government intervening to write the plans for them. Again, this would entail a significant loss of local control over where homes get built.

However, councils should also take an active leadership role in promoting small sites and working with SME builders because it is in their interest to have a thriving local economy, with a variety of developers to work with in a mixed and healthy market.

In 2015, the House-Elphicke review ², called upon councils to play an “enabling” role in local housing development. In a more recent report³, the Royal Town Planning Institute (RTPI) made the case for public sector leadership around planning and house building. This should involve: “thinking about places first” and bringing together a broad range of public agencies and private organisations to deliver wider, shared goals through housing; showing vision and making long-term plans; and “place-making” by using creatively the supply of land at public disposal.

² House, K. & Elphicke, N. (2015) From statutory provider to Housing Delivery Enabler: Review into the local authority role in housing supply Department for Communities and Local Government

³ Adams, D., O’Sullivan, M., Inch, A., Tait, M., Watkins, C., & Harris, R. (2016) Delivering the Value of Planning, RTPI

To do this well, they will need to think creatively about the land that is used, and whether better use could be made of smaller sites.

Small developers

Large volume national builders are unlikely to develop homes on small sites, as they do not have the premium and scale of larger ones. There is also a perception among many planning officers that larger developers are less likely to deliver the mix of tenures that are often required locally, or to provide the flexibility and bespoke service that SME builders are able to provide.

Opening up more small sites may, therefore, necessitate working more closely with a wider range of developers and builders than local government is currently engaged with.

There are challenges here, however. The House of Lords Select Committee on Economic Affairs' recent report, "Building More Homes"⁴, argued:

"The large private builders operate a business model which makes commercial sense for them but does not deliver an increase in the supply of new homes on the scale required. The market has oligopolistic characteristics: the eight largest builders build more than 50 per cent of new homes and smaller builders find it difficult to operate."

Meanwhile, the Campaign to Protect Rural England noted recently that smaller house builders "have played a key crucial role in the construction of new housing in England and they have been responsible for delivering over 40 per cent of housing stock as recently as 1995".⁵

Since the 1980s, however, the number of smaller builders operating in the UK has

declined drastically. Since the recession in 2008 the number of builders producing fewer than 30 units per year has declined by half, while the number of medium sized builders has shrunk 60 per cent.⁶ In 2014, small firms built just 30 per cent of new homes. Large volume house builders now dominate the market much more than they used to.

Indeed, the house building market is very concentrated. In 2006 the top ten house builders were responsible for just under half of the homes built in the country. According to research by Shelter and KPMG in 2015:

*"The trend towards industry concentration is even greater in the areas where homes are needed the most. In London, just 23 firms were responsible for 70 per cent of all homes built in the year to June 2012. Housing has gone from a diverse local industry to a national scale 'too big to fail' model."*⁷

Why work with SME builders?

There are numerous benefits that can come from working with smaller developers. These include:

- Closer, more lasting relationships
- A more bespoke approach to design and quality
- Investment in local jobs and skills

At our research workshops, attendees commented that small developers often have a better track record at delivering the numbers than the larger volume builders. In particular, they were keen to highlight that SMEs had continued to deliver during and following the recession, from 2008 onwards, when larger builders were more likely to hold back.

Among the noted advantages of working with smaller builders were the boost they bring to

4 House of Lords Select Committee on Economic Affairs (2016) 1st Report of Session 2016-17: Building more homes

5 Campaign to Protect Rural England (2014) Increasing Diversity in the House Building Sector: The need to reestablish small and medium sized enterprises in housing construction Foresight Paper No.1

6 Jefferys, P., Lloyd, T., Argyle, A., Sarling, J., Crosby, J., & Bibby, J. (2015) Building the Homes We Need: A programme for the 2015 Government Shelter & KPMG

7 Ibid

the local economy, including investment and apprenticeships, and a stronger commitment to quality rather than volume as an ultimate selling point for the sector. SMEs cannot compete with bigger builders on volume and so there is a compulsion that they deliver quality and adaptable, bespoke design.

One attendee commented:

“We have to engage with the smaller ones because no one else will develop lots of our sites”.

A planning officer from a rural council said their authority does not attract many national builders due to size of the sites that are available. There are only a few larger sites, and this “doesn’t tip the threshold for them.”

However, the pool of small builders has been depleted. In the 1980s, around two thirds of homes were delivered by SME builders, now it is around a quarter. Access to small sites

is a really important part of that, as well as perceived complexity and uncertainty in the system. One interviewee commented:

“What comes forward for development is heavily influenced by the land market” to which “SMEs are particularly susceptible”.

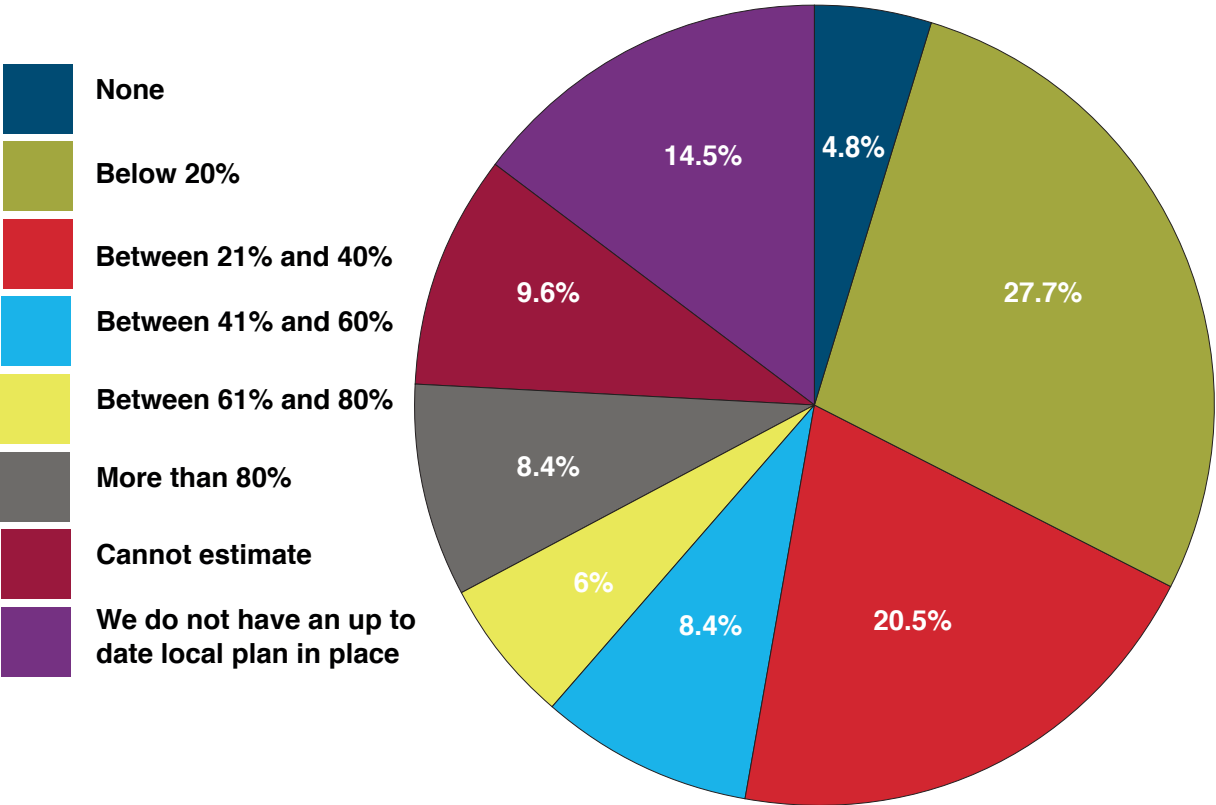
In many cities, for example, there is a market in student housing, which is particularly valuable, but creates challenges for smaller developers. Councils may try to restrict this in certain areas, and curate a mixed market, but it tends to compete heavily with the rest of the sector.

Are small sites getting used?

Small sites are being utilised in some areas, but the current state of play is varied across the country and the bulk of housing allocated in local plans is on larger sites. Just over half of the respondents to the local authority survey said that less than 40 per cent of housing units would be delivered on small sites. Five per

Fig 1. What proportion of sites in local plans are suitable for small builders?

Q. What proportion of the total number of units to be delivered in your local plan are on sites of fewer than 30 units and/or less than 1.5 hectares?



cent of respondents said that no units in their local plan would be delivered on small sites.

A fifth said that more than 40 per cent of homes would be built on those sites and 8 per cent said that over 80 per cent of their housing units in local plans would be.

However, ten per cent said they “cannot estimate” and 14 per cent did not have a local plan in place. The survey also showed that small sites often come forward as windfall developments, or based on applications that are not related to the local plan itself.

It will be necessary to make much better use of small sites for the delivery of new homes if we are to get anywhere near meeting the

Government’s target of one million new homes by 2020, and of alleviating the housing crisis. This will rely on building better relationships with, and sometimes providing support for SME builders, which are the firms that can take on and develop those smaller sites. The current state of play across the country is mixed. Though there are places where small sites are being utilised effectively, it is not widespread and there are multiple barriers that have been identified as preventing or slowing down small site development.

The next section will explore these barriers, from the perspective of local authorities and SME builders.



Case Studies 1

Birmingham City Council

Birmingham City Council has blazed a trail by using an online planning portal, dynamic purchasing system and de-risking sites to encourage smaller developers to build new council housing on publicly-owned land.

Large-scale builders have begun to cherry pick the sites they bid for as the housing market has recovered since 2008. As more council's are starting up development programmes, it has become harder and harder to find bidders to build on the smaller and more difficult sites the council was seeking to develop, as these were more challenging for the larger players and where the chance to make a profit is reduced by risk.

The council initially set up "Find it in Birmingham" as a portal to encourage SME builders to come forward and bid for public land designated by the council. Though a good crop of builders came forward and progressed through the initial stages of the process, the early interest faded away without guarantees they would have a longer-term relationship with the council. The builders in question gave various reasons, but the council decided that tweaking its procurement strategy would enable a more successful process in the future. They decided to use a dynamic purchasing system, which is being opened up to SME builders, allowing them to join and re-join relatively easily over a four-year period, similar to a contractors framework.

The emphasis of this procurement portal is on constructive dialogue with developers. Opportunities can be discussed and issues or challenges raised easily. The council will hold regular, open workshops and drop-in sessions with local builders to address these issues as well as offering support and advice on applications. The council's housing development team identifies small and micro sites throughout the city. Many of these are former garage sites, of which there are about 14,000 in Birmingham. A number of these sites have development impediments and will remain as garage sites and improved, whilst others remain economically viable to remain as garage sites (for now), but the team assesses the viability of each site and the developable locations are mapped and brought forward. The sites will be combined or divided into lots up to a maximum of fifteen units per site, this is particularly important for micro-sites, which would otherwise be problematic and expensive to develop with very low unit numbers.

The council then processes the planning permission using its approved standard house types for each site, before they are put out to tender through the online portal. Getting planning and procurement sorted is fairly easy, and the fact that the housing, planning and regeneration teams are co-located within the same office makes a big difference to streamlining the development process.

One of the challenges that arise is the cost of delivery on very small and micro sites. These are often rejected at the tendering stage, so council officers rethink their offer and assess whether there is other support they can give. The virtue of the Dynamic Purchasing System model is that it is an open, rolling process. It allows developers to come back to a bid later on and to have further conversations about a project and develop a working relationship with the council in delivering its Birmingham Municipal Housing Trust vehicle.

The approach has been widely praised as an alternative to the traditional model. It removes the risk for the developers by sorting planning permission up front, and allows the council to retain a great deal of control over what gets developed and how by using a Design and Build contract and standard housing types. Other councils across the West Midlands are looking to emulate the model and Birmingham officers are assisting the use of their DPS to the Combined Authority.

For more information contact Steve Dallaway: steve.dallaway@birmingham.gov.uk

Leeds City Council

Leeds City Council has developed an innovative approach to identifying how and where to engage with local landowners to bring stalled housing sites into delivery.

Through the multi-disciplinary Housing Growth Team, the first stage is a line-by-line analysis of the Strategic Housing Land Availability Assessment (SHLAA), undertaken to identify specific sites which are not coming forward. There are many reasons why individual pieces of land may have stalled such as land values, viability issues or lack of confidence in the current economic climate. Sometimes, however it is simply because the landowner in question has limited knowledge of the development process or the housing sector, and is not aware of the opportunities available in terms of funding.

As a joint risk analysis exercise with Strategic Planning, each site is rated and prioritised in relation to the probability of delivery and the impact of the site not coming forward. This allows a view to be taken on the potential for intervention and likelihood of success, so resources can be deployed effectively.

To help determine the likelihood of development, information is gleaned from across other departments in the council and layered over the details in the SHLAA. This creates a fuller picture of the places the sites might connect with, as well as building up a more cohesive, collaborative understanding of market drivers.

Interventions required could include the following:

- Signposting to funding opportunities including developing bespoke opportunities (HCA, LCR/LEP or LCC acquisitions)
- Brokerage (including Landowner/developer, RP or investment companies)
- Assistance with the development process
- Cluster site interventions strategies: explore area regeneration upgrades and public realm opportunities

Other forms of assistance either through the council or in partnership with the HCA includes: development briefs; site appraisals; viability studies; land valuations (capacity etc.); land ownership/ packaging/legal matters; site Surveys.

Through dialogue with landowners a bespoke solution can be developed. At its simplest this provides knowledge and confidence in the development process.

The Acceleration Programme brings forward stalled or blocked sites, but also helps to enhance intelligence and knowledge of local markets and land owner sentiment. It demands a comprehensive skill set, as well as drive and commitment to growth within the authority. It encourages a more entrepreneurial and pro-active stance on housing development and the ability to work with funders to tap into resources such as those held by the HCA and LEP locally. It forms part of a wider approach to housing growth in the city including in-house development of new council housing and a comprehensive affordable and specialist housing programme, as well as the promotion of low-carbon building and off-site methodologies.

For more information contact Adrian Dean: adrian.dean@leeds.gov.uk

Section 2 – Barriers: Why aren't more small sites coming forward for development?

This section outlines the findings from our research, describing the barriers and challenges that councils and builders come across when trying to develop small sites.

Resource constraints in planning departments have increased the challenge of identifying and allocating small sites for housing development. There are also tensions over how the planning system is applied to small sites, particularly when they come forward as unallocated, or windfall, applications. Staff, skills and capacity shortages are acute in some areas, and can exacerbate uncertainty or delays in bringing sites forward. Good engagement and dialogue is not as widespread as it could be and demands that different skills and resources be committed to it.

Our research with local authorities shows there are several barriers which slow down the rate at which small sites are opened up for development.

What are the main barriers?

The two tables below show responses to the question “Which of the following do you think act as barriers to enabling small scale development through the planning system?” The first is taken from the LGiU Local Authority survey and the second is taken from the FMB House Builders Survey.

“45% of local authorities see insufficient resources in planning departments as a barrier to small sites. 64% of SME builders think the same”

Table 1: Barriers to small sites: local authorities' views

Q. Which of the following do you think act as barriers to enabling small scale development through the planning system (tick all that apply)?

The quality of applications brought forward is often poor	55%
Planning departments do not have sufficient resources	45%
Getting community consent for small site developments is often disproportionately difficult	36%
Developers are unaware of the opportunities that exist in the Strategic Housing Land Availability Assessment	22%
The planning process is too heavy handed	14%
Administrative costs are disproportionately high	13%
Application costs are disproportionately high	6%

Table 2: Barriers to small sites: SME builders' views

Q. Which of the following do you think act as barriers to enabling small scale development through the planning system (tick all that apply)?

The planning process for small sites is too heavy handed	79%
Planning departments do not have sufficient resources	64%
Getting community consent for small site developments is often disproportionately difficult	62%
Administrative costs for planners are disproportionately high	53%
Developers are unaware of the opportunities that exist in the Strategic Housing Land Availability Assessment	50%
Application costs are disproportionately high	43%
The quality of applications for small sites is often poor	29%

Through our survey and workshops with planning officers and builders, we have identified some of the key challenges that need to be addressed. We grouped these under the following headings:

- I. Land
- II. Resources and capacity
- III. The planning process
- IV. Knowledge and understanding
- V. Engagement

I. Land

Councils need to look for ways to open up more sites for development. This means looking for smaller sites that can come forward. But this can be particularly challenging.

Opening up small sites

Just over half of respondents said that their authority would deliver less than 40 per cent of their homes in the local plan on small sites, while just over a quarter said the proportion would be between 20 per cent and 40 per cent of units. 10 per cent said they could not estimate, while 15 per cent said their authority did not yet have a local plan in place.

The Planning Practice Guidance, issued by the Government, recommends a threshold of sites with capacity for five units or more above

which councils should seek to include all sites within their Strategic Housing Land Availability Assessment (SHLAA).

Councils follow this guidance, but emphasise the resources that would be required in order to allocate smaller sites for development in the Local Plan as well. One interviewee said:

"If we were to allocate smaller sites as well it would add two more years to the local plan-making process."

The result is that fewer small sites are allocated strategically, and they tend to come through as windfall sites. These are sites which have not been specifically identified in the Local Plan process, but which become available unexpectedly.

A survey respondent commented that their council:

"...will try and identify all potential sites down to the threshold recommended in Planning Policy Guidance (5 dwellings) if practical; if not a higher threshold of 9 dwellings may be used. A robust estimate for brownfield windfalls below either of these thresholds will also be made based on historic trends."

There is a tension here, however, with a view among SME builders that allocating more small sites for development is the most important change needed to increase house building. In response to the question “How would you rate the following policies in terms of their ability to enable SME house builders to bring forward more small sites?”, the most popular response was “Allocation of more small sites in local plans”.

When asked what approach their authority takes towards identifying smaller sites for development, there was a range of responses. Many respondents commented that they rely largely on the SHLAA process. However, as noted above, it is recognised that many smaller developers are unaware of the opportunities that exist in the SHLAA. Unless this is accompanied by a strategy for promoting and publicising the sites they might be less likely to get developed.

It was also noted in the survey that:

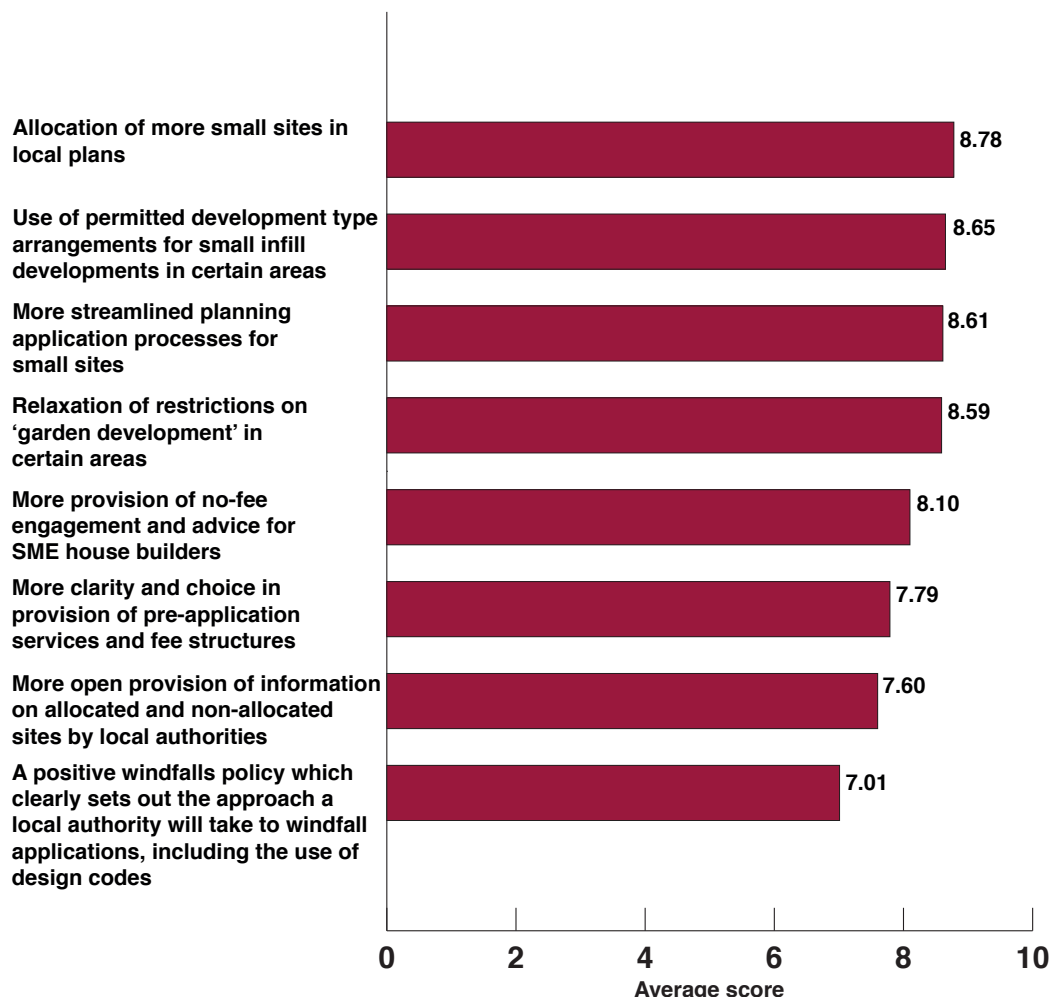
“There may be a barrier where small landowners do not understand the process for bringing sites forward for development and we do not manage to engage them successfully.”

Some are proactive and seek out owners of land once it has been identified in the SHLAA. One, from the East Midlands, said their approach is to:

“Assess all sites submitted to the SHLAA. Review potential from council-owned land and investigate potential from any underused land where the owner can be identified – in these circumstances landowners are encouraged to submit the sites to the SHLAA process.”

Fig 2. What would help small builders bring forward more small sites?

Q. How would you rate the following policies in terms of their ability to enable SME house builders to bring forward more small sites? Please rate the following (with one being not useful at all and ten being extremely useful).



Some respondents outlined other approaches to land allocation, which their council pursues:

“Local plan will identify larger sites. Smaller sites generally considered on a case-by-case basis but asset review processes and new self build registers etc will begin to formalise processes. Use of SHLAA may be underplayed.”

“No specific approach to small sites, windfall or developer approaches. Sites under 15 units not generally identified in development plan.”

“Largely rural area so smaller sites most appropriate for villages etc. Look at sustainability of settlement and appropriate growth levels.”

“A working party within the council.”

Windfall sites

Where resources are stretched, it is often too resource intensive to allocate small sites as part of the local plan. This means that if they come forward at all, it will be as windfall. As one survey respondent said: “Sites of ten or

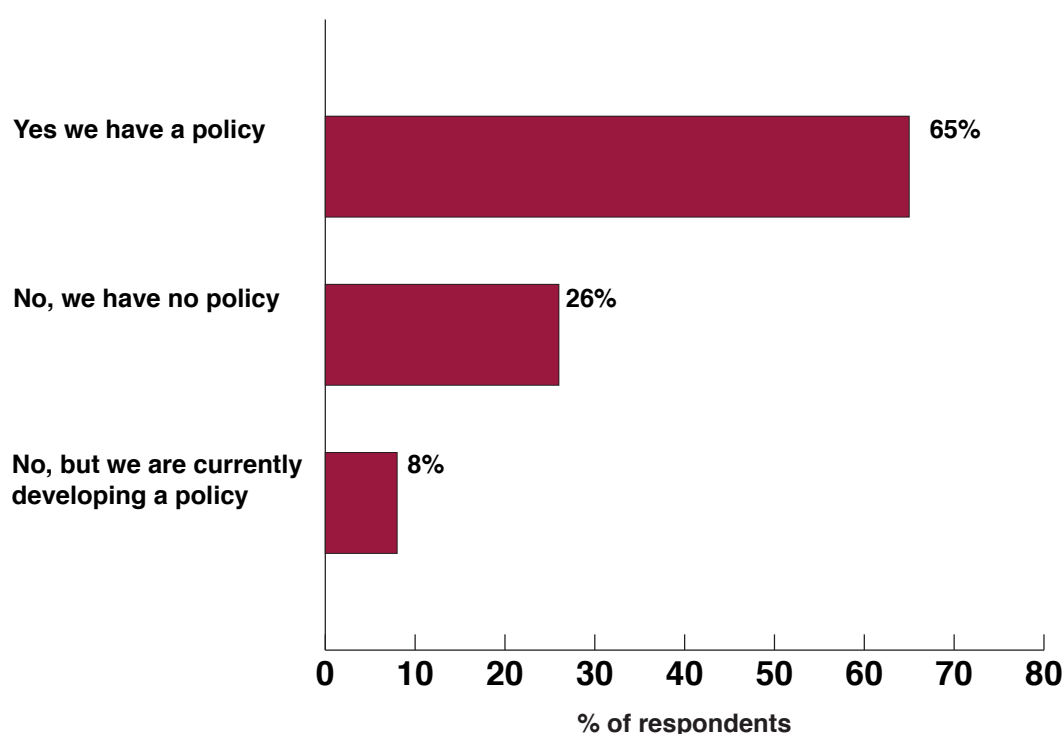
more are identified in the local plan. Sites smaller than this are windfall and are dealt with on a case-by-case basis. Those within development boundaries have a presumption in favour of development, subject to detailed considerations.” Windfall sites are inherently more risky from a developer’s point of view, however, and unless a council has a well thought through approach there may be delays and uncertainty associated with them.

“When asked which policies would most help SMEs, the most popular response was ‘allocation of more small sites in local plans’.”

Sixty-five per cent of survey respondents said their authority has a specific policy towards windfall sites. Indeed in some areas the bulk of developments take place on windfall sites. One planning officer from a rural authority, interviewed for this study, said that though their authority does not allocate small sites, they account for the vast bulk of applications in the area, which are processed mostly on a case by case basis.

Fig 3. Councils’ windfalls policies

Q. Does your council have clear and specific policies for how it will treat non-allocated (or ‘windfall’) small sites?



II. Resources and capacity

Resource constraints in planning departments have increased the challenge of identifying and allocating small sites for housing development. Staff, skills and capacity shortages are acute in some areas, and can exacerbate uncertainty or delays in bringing sites forward.

Local government is facing serious resource constraints and planning departments have been hit particularly hard. This is a key issue, which is recognised by developers and planners alike. 64 per cent of respondents to the FMB survey said this was a barrier, and just under half of respondents to the LGiU survey.

The chart below shows the reduction in net current expenditure on planning and development services for English local authorities between 2009/10 and 2014/15.

This is already having, and will continue to have, a significant impact on the delivery of homes to meet the government's 2020 target. When asked "Do you think it will be possible for Central Government to reach its new homes target (in England, this is one million homes by 2020) with current levels of resource available to local authority planning departments?" Just under 87 per cent of local authority respondents answered "no".

Skills, staff and capacity

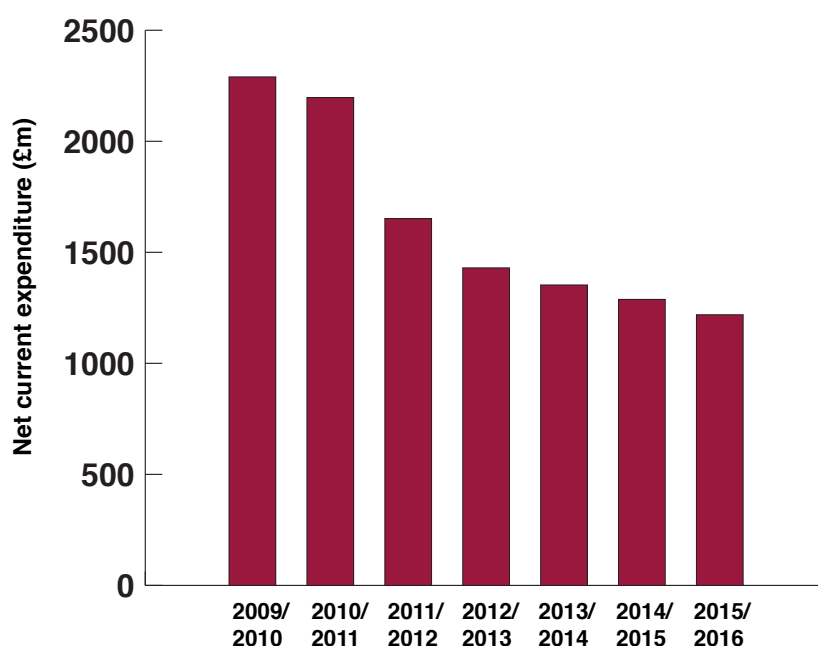
It has not taken long for the resource gap to work its way through and have a noticeable impact on the skills and capacity within planning departments.

These gaps make it challenging to provide direction and leadership to the local house building market.

Planning officers interviewed for this research highlighted a gap at consultancy level, meaning that there was a depleted source of in-house advice on important components of applications, such as highways, surface water drainage advice and infrastructure. Many planning authorities are too small to employ more specialist staff alone. An alternative is to share these roles across council boundaries. Furthermore, legal teams in many councils lack the capacity to process Section 106 agreements at the speed smaller developers would like.

In discussions at our research workshops there was a perception that staffing gaps in depleted planning departments mean that applications for smaller developments are managed by more junior staff, who are often more risk averse. They are also seen to be less likely to look for ways to innovate on the basis of the core strategy or local plan.

Fig 4: Decline in net current expenditure on local authority planning and development services 2009/10-2015/16



Source: Department for Communities and Local Government, Local Authority Revenue Expenditure and Financing www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing (accessed November 2016)

Application fees

Many councils charge fees for pre-application work in order to make up for lost revenue. While some of these councils have designed bespoke application services around increased charges, such as Barnet Council who are profiled in this report, this is not universal. Around two thirds of local authority survey respondents said their council provides pre-application discussions for a fee, while roughly a third said they provide them free of charge.

III. The planning application process

Our research identified a tension over how the planning system is applied to small sites, particularly when they come forward as unallocated, or windfall applications. Many developers felt that the process is too rigid and that uncertainty and delays often occur, which hit SMEs particularly hard.

Burdensome?

Once land has been identified, either by the council, or by a developer, there are barriers that emerge during the planning process itself.

There is a widespread perception among builders that the planning system is too burdensome and complex in relation to small sites. A substantial majority of respondents to the FMB House Builders Survey selected “The planning process for small sites is too heavy handed” as a barrier to development. It is felt that regulations and requirements, such as environmental and contamination surveys, or highways and infrastructure surveys are often imposed on a development application where they are unnecessary.

The perception among planners was different, however. Just 14 per cent of respondents to the local authority survey said “The planning system is too heavy handed” and acts as a barrier to small-scale development.

Some local authority respondents did note particular aspects of the planning system that cause complexity, however. One commented that:

“CIL payments have added additional complexity and costs into the system”, while another said the Levy “is too inflexible and should include the opportunity to have sliding scale charges”.

Another respondent commented:

“Frequent government planning policy changes often add to the complexity and uncertainty of dealing with small (and large scale) applications, because it is often not straightforward to integrate these changes with existing approaches taken in local plans and supplementary planning documents. Local policies may become completely or partially redundant.”

Uncertainty?

Builders highlight delays and uncertainty in the process as key issues which raise the costs and risks involved in development. For SMEs this can have a disproportionate impact as it makes it difficult to plan effectively. Unlike larger volume builders, SMEs rely on a quicker turnover to stay afloat. Unexpected delays have significant impact on this and can sometimes affect the viability of a development. Several survey respondents commented that this was a particular issue for small sites. Comments included:

“I think the main issue is the supply of building companies small enough to be interested and big enough to be able, with sufficient financial backing to support the application process with risks involved, site purchase and up-front costs before sales are achieved. This sector, including banking support, has not fully recovered from the crash.”

Attendees in the research workshops noted that problems arise with the twelve-week limit that is set for planning approvals. Sometimes an application is processed within the time frame, but with so many conditions attached to it that it simply moves the issue further down the line, causing unexpected problems and delays.

IV. Knowledge and understanding

Local authority officers highlighted the inadequate knowledge (among some builders) of the planning process, and of the expectations of local authorities, as a barrier to development. It often results in poor quality applications.

There is a perception that inadequate knowledge of the planning process among some builders causes delays and poor quality applications. More than half of respondents to the local authority survey said that “The quality of applications brought forward [for small sites] is often poor” and that this can be one of the barriers to increasing development on small sites. This point was also recognised by 29 per cent of builders who responded to the FMB House Builders Survey.

This is closely linked to inadequate understanding of what local authorities actually expect from applications.. Developers often struggle to know what is required or expected of them, which can severely slow down the

process when planners receive applications that are incomplete or inadequate.

Another aspect of this problem was also raised in the local authority survey, as around a fifth of respondents said “Developers are unaware of the opportunities that exist in the SHLAA.” Interestingly, half of SME house builders in the FMB House Builders Survey thought the same.

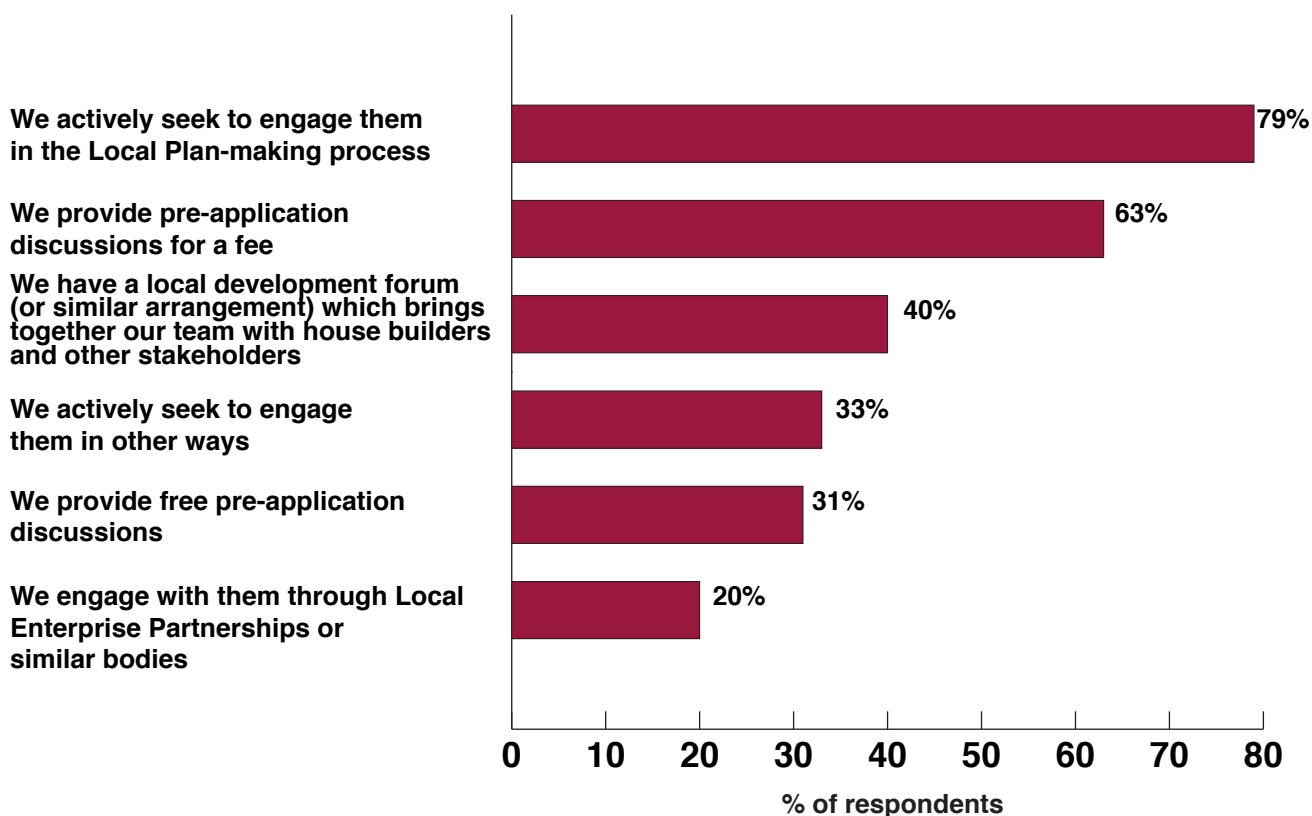
Either separately, or taken together, these two factors (lack of awareness of SHLAA opportunities and lack of understanding of local authority requirements) can exacerbate uncertainty and slow down development.

V. Engagement

Insufficient engagement and dialogue between planners, housing officers and builders exacerbates all of the previous barriers. It reduces shared understanding and cooperation, and increases uncertainty and inflexibility in the planning process.

Fig 5: Local authorities’ view of their engagement with small builders

Q. In which of the following ways does your authority communicate or engage with SME house builders which are active in your area? Please tick all that apply.



Poor engagement is more likely to lead to poor quality applications and a lack of awareness of the opportunities among developers.

Better engagement would help to smooth out problems earlier in the process, saving resources in the long term and helping to alleviate some of the uncertainties and delays that occur later on. This works at a more general, strategic level by improving communication between local authorities and the SME sector. The developers' forum in North East Lincolnshire (see case study on pg 23) is a good example of engagement which can build these stronger relationships and foster mutual understanding.

It is also vitally important, however, to ensure there is good engagement on individual applications, so that expectations are clearly communicated early on in the process.

Current practice across local government is mixed, however. In response to the question "In which of the following ways does your authority communicate or engage with SME house builders active in your area?", just under 80 per cent of respondents said "We actively seek to engage them in the plan making process". This is in stark contrast to the perception among builders. Eighty per cent of respondents to the FMB House Builders Survey said that "Local authorities in my area do not proactively communicate or engage with SME house builders".

There are understandable issues that make engagement challenging for councils. It requires a certain level of investment, either of money or staff time. Planners sometimes don't have the capacity or resources to engage in a really in-depth dialogue with developers. Some planners are also wary of engaging

too closely as they may be seen as favouring one developer over others. Competition and procurement regulations make this a contentious issue, particularly when discussing development on public land.

Furthermore, communities are unlikely to engage at the policy development stage, when it is more abstract, but they are more likely to engage over a specific development. Coordinating codes, outlined later in this report, are a useful new model that provide a tangible way for communities to engage with a plan as it will actually be developed

Summary

Resource constraints have hit planning departments particularly hard, which has increased the challenge of identifying and allocating the land that is most appropriate for building in local areas. There is a related tension in how the planning system is applied to small sites, particularly when they come forward as unallocated, or windfall applications.

Staff, skills and capacity shortages are acute in some areas, and can lead to uncertainty or delays in bringing sites forward for development. Good engagement and on-going dialogue would significantly ease a lot of this pressure, but it is not as widespread as it could be and demands that different skills and resources be committed to it.

This section has established and outlined the main barriers to developing small sites and working with SME builders. In the next section some approaches will be outlined that may assist councils in enabling more housing to be built on small sites.

Across the UK

Wales

There is a strong perception among FMB members in Wales that getting permission for smaller sites not allocated in local plans is prohibitively difficult, and furthermore that large sites and large builders can dominate the plan-making process in a way which can de facto exclude smaller builders.

There is a danger that these factors could be exacerbated by policy which encourages councils to prepare joint local plans. This could potentially lead to even greater concentration on large, strategic developments and further reduction in opportunities for smaller firms, unless this is recognised and policies put in place to mitigate it.

In Wales there also appears to be a particularly high level of concern around the level of developer contributions expected of small sites, and a strong perception that land prices for small sites do not adjust to take account of these demands, rendering small scale development economically unattractive. This could be eased by more flexible policies for smaller sites, or deferred payment options.

Scotland

The Scottish Government recently published the findings of a survey of small developers in Scotland. The findings suggest that access to finance remains the severest barrier to growth, but it also picks up concerns about planning, and some concerns over land availability, though less so in more rural areas. The report further notes that respondents recognise value in engaging more openly with local government; a common theme that has emerged in the course of this research.

However, FMB members in Scotland perceive a very high degree of uncertainty in whether

permission for small developments will be granted, with phrases like 'lottery' and 'hit or miss' being used to describe the development management process, plus concerns over a 'one-size-fits-all' approach to the application process.

Analysis of evidence to the Scottish Government's ongoing review of planning also highlights concern over insufficient allocation of smaller sites. If there is a desire to boost the small scale house building sector in Scotland, then working out how to address this, and how to reduce the uncertainty of bringing small, non-allocated sites forward, would be a productive focus for further work by the Scottish Government and Scottish local government.

Northern Ireland

Northern Ireland has a different industry structure from other parts of the UK. The industry is not as dominated by large firms, and small one-off or self-build projects have always tended to represent a much higher percentage of new homes than in the rest of the UK. However, FMB members report that opportunities for these and other small scale developments are tightly restricted by the introduction of planning policies designed to curtail any building in the countryside outside of existing settlement boundaries. PPS21, though itself a loosening of previous policy, only allows one new home to be built on any farm property once every 10 years.

FMB members report opportunities for suitable smaller sites are relatively rare and land price per unit of these sites is significantly higher. The Northern Ireland Executive could counter this by making concerted efforts to identify and release publicly-owned land, including many suitable small sites, which could be released for housing, either by selling to developers, or commissioning social housing.

Case Studies 2

North East Lincolnshire Development Growth Board

North East Lincolnshire Council has an established forum for developers and stakeholders in the area, which is closely tied to its strategy for economic growth.

The council has been working hard to drive economic growth in the area and set up a Development Growth Board to lead on this strategy, with constituent groups covering various sectors, including renewable energy, ports and logistics, tourism and housing and development. Each group “sets out priorities for action for those sectors with strong potential for future growth, or those that will continue to employ a large proportion of the workforce”. House building was seen as a key business sector, with a particularly strong link to economic growth in the area.

When the group was initially established, many developers were dissatisfied with the way housing was handled. The area was not seen as ‘development friendly’ and lack of dialogue was the root cause.

The Housing and Development group involves anybody who is an economic actor in housing from across the area. As well as small and medium size builders, senior council officers and the lead member for housing, members include representatives from the care sector, registered providers, landowners, local letting agents, and key public sector and regulatory bodies like the Environment Agency and the HCA. The main goals of the forum are to improve interaction between these various stakeholders, and to improve the quality of development in general. The group meets every two to three months, or four to five times a year.

Henry Cleary was brought in as an independent chair in 2012 and says, “the golden rule for the forum is that there can be no site-specific discussions” as it’s not a forum for special interests to be mediated. Rather, it is a place where general and generic issues relating to development can be discussed. This includes what planners expect from applications and the impact of wider council strategies on housing plans. Other policy areas such as devolution and health and social care are discussed, in their relation to house building, which allows challenges and opportunities to be shared amongst the group at an early stage.

Though the forum takes a general view of housing and land issues across North East Lincolnshire, attention has turned to improving the market. The group has recently focussed on low value and low demand housing, which is a key issue for the area. Local agents have an invaluable role as they bring in-depth market knowledge to the group, which also helps to engage landowners.

Local authority engagement is essential for the successful working of groups such as this, and the local council were fully engaged from the beginning. Senior officers such as the Head of Development and Regeneration, and the cabinet member for housing attend the meetings.

Discussions feed back in to the council’s Development and Growth Board. This board gives an overview from the local economy and involves representatives from each of the other forums.

Thanks to the Board’s work, the council agreed to develop local development orders for housing and were one of the first in England to do so. Big challenges still remain, but the overall effect of the initiative has been better dialogue and relationships between the stakeholders, which has dramatically improved the environment for housing development.

For more information contact Henry Cleary: jhenry.cleary@gmail.com

West Somerset District Council

Some councils in rural areas need to adopt different approaches to unlock development. The large volume builders have relatively little interest in areas like West Somerset, and the vast majority of development takes place on small sites. But there have been challenges in encouraging development to take place.

In order to address several of its key resource gaps, West Somerset District Council has shared several of its key staff and resources with neighbouring authority Taunton Deane Council. Key skills shared across the boundary include planning policy, landscaping and development management. This has helped significantly to get projects started and keep them moving.

The council's emerging West Somerset Local Plan to 2032, is largely strategic in nature, with relatively few sites allocated. The response from the Planning Inspectorate following the recent examination of the local plan, was that the council had understated the quantum of development that would come from windfall sites and that a greater allowance could be factored-in to meet the five year land supply target.

The council maintained that the few strategic sites they had allocated were appropriate, and the proposed strategy enabled many of the alternative sites put forward by developers and land-owners, through the local plan process, to come forward provided that they were supported by clear evidence and a robust justification. Good dialogue and engagement with developers and landowners enabled them to mount a strong case that there was appropriate capacity in the plan.

To encourage more building where it has not been forthcoming, the council removed development limits around selected villages in the area. There are three key settlements in the area, some of which are constrained by surrounding topography and/or national landscape designations but, there are opportunities around others. The key sustainable-development requirements (Policy SD1) in the consideration of development proposals throughout the local planning authority area are that;

- There is a need for the development in that location, and,
- It cannot be sited elsewhere in a more sustainable location

Settlement boundaries or development limits are a tool for controlling development within an individual village. There is generally a presumption in favour of development within this limit. The local plan makes allowances for different types of place according to their role and function, identified through the settlement hierarchy. The policies, shortly to be adopted by the council, provide for some development in identified villages of about 10% increase in the settlement's stock as at the start of the plan period (2012 - 2032). The scale and nature of development (e.g. 'limited' and, 'small-scale') is clarified through appropriate 'definitions' included in the supporting text. The policy wording makes clear that such development would be expected to demonstrate that;

- it contributes to the wider sustainability of the area, and,
- it satisfies a number of other criteria set out in the policy.

The sites opened up in this way are predominantly smaller ones, and as it is primarily only smaller house-builders operating in the area, this should prove attractive to them. Through a twin approach of strategically expanding the boundaries and engaging with builders to support the sector, it is hoped that development activity will increase.

For more information please contact Martin Wilsher: mwilsher@westsomerset.gov.uk

City of Edinburgh Council

City of Edinburgh Council has two forums in place to encourage better engagement between stakeholders in the city. The first is a “Civic Forum”, which involves around a quarter of the community councils (similar to parish councils in England). The second is a “Development Forum”, which involves private sector developers and representatives from the Chamber of Commerce, Homes for Scotland as well as other trade groups.

Bridgend and Denbighshire Councils

Denbighshire County Council, in Wales, developed a Housing Prospectus, which is designed to give developers and investors in the local area a comprehensive and detailed list of housing development opportunities in the area.

It gives a concise summary of the considerations for each of the 60 sites, including the size of the site, existing technical reports, landscape requirements, flooding and utilities assessments. The planning status and history is also outlined, all on a single page per site, which enables easy access and distribution of the information.

Having the information in one easily accessible place, with potential issues highlighted up front is extremely helpful at the pre-application stage, and helps ensure coherence and consistency through the application and development process.

But the prospectus goes a step further and provides a list and an outline of key planning documents that are required for applications. There is also an explicit link between the housing opportunities and the wider economic context of the area and to the strategic aims of the council.

Another strategy towards facilitation of development is provided by Bridgend County Borough Council. The planning department contacted small builders in the area with a list of potential sites, both those included in the local plan, and other windfall sites.

Developers are then offered informal advice on the opportunities, including potential constraints and challenges. They are also invited to attend a scoping meeting, which is separate from pre-application, and does not entail a fee.

For more information please contact Angela Loftus: angela.loftus@denbighshire.gov.uk

Barnet – Premium fast-track service

Cuts have drastically hit planning departments in councils up and down the country. Barnet Council, in London have set up a specialised pre-application team, which charges a fee but provides certainty for developers.

The service is run by Re: Ltd, which is contracted to Barnet for ten years, on a profit-sharing basis. The team provides premium, fast-track planning support for developers who are able to pay for it. The package includes a dedicated lead officer who manages the application through from pre-application discussion to completion, ensuring consistency and reducing the uncertainty that developers might experience otherwise. Staff from Barnet have already started to provide support to other councils looking to set up similar arrangements.

Section 3 – Solutions and Recommendations

This section discusses some of the ways that the barriers highlighted in the previous section might be overcome or minimised. It uses evidence from the interviews and roundtables, as well as responses to the local authority survey. We also make a range of recommendations for councils to consider.

I. Land

General principles

Councils can and should show leadership and strategic thinking in planning for small scale development. If they were required to outline a statement of principles that guide how small sites will be treated, how development control will be applied, and how developers will be engaged, this would help to provide that strategic focus on smaller sites which can make so much difference. This would also help to support planning officers in the decisions they make with regards to individual applications.

Use the assets

Councils should use the assets in their area creatively. Wherever possible, they should look for ways to identify and allocate more small sites for development, either on public or private land.

Local authorities can directly commission development on publicly-owned sites and they should seek to do this with small pieces of land, such as disused garages.

These can be risky for SME builders to bring forward, but councils could look to reduce the risk as far as possible by progressing planning permission in-house and packaging sites together where possible. Birmingham City Council, featured as a case study in this report, is a good example of this in action.

Other models councils should consider, where appropriate, include “Build Now, Pay Later”, in which the council allows a developer to build on a site and to pay when the homes have

been sold, shared equity schemes, in which the council holds onto ownership of the land and joint venture models, which LGiU has advocated previously in the report *Under Construction*.⁸

These models may, of course, require some extra resource and capacity, sometimes different sets of skills, and the availability of the right sort of sites. They may not be a suitable approach in all councils, but are worth consideration by all.

Promote and publicise

The local authority and house builders’ surveys highlighted that many small developers are not fully aware of the opportunities in the SHLAA. Councils could be more proactive in how they promote allocated and unallocated sites, and in how they disseminate information and data about these sites.

Some council, such as Denbighshire in Wales, have produced a Housing Land Prospectus, which outlines details of the small sites that are available for development and is updated yearly.

In areas with lower demand, councils could look for ways to allocate privately-owned sites which are identified in the SHLAA, but do not come forward for development. This would involve identifying appropriate sites, assessing the likelihood they could be developed, and beginning a dialogue with the owners.

Landowners may not wish to develop homes on their land for perfectly good reasons, but they are sometimes unaware of the opportunities, or overestimate the challenges of doing so.

⁸ Walker, A. (2015) *Under Construction: Are councils ready to get the nation building?* LGiU

Councils should seek to broker relationships between builders and landowners. This is particularly pertinent in areas with low land values in order to encourage more landowners to consider development on their land. This may become more of a priority, as councils will be required to deliver more homes through custom and self-build requirements in the future.

1. Local planning authorities should be required to include within their local plans a strategic consideration of the contribution that small sites can make and how small scale development is to be enabled. Among other things, this could incorporate into, and serve to anchor within local plans, emerging policies like the Brownfield Register and Permission in Principle. It could further involve outlining a short set of principles on, for example:

- What the council defines as a small site
- Whether small sites will be approached differently to other sites
- How small sites fit with wider strategic goals
- Whether there is a specific approach to windfall sites
- How engagement with SME builders will work, or could be improved, with a view to developing small sites

2. Councils should seek to broker relationships between builders and landowners. They could do this by:

- Using information in the SHLAA to identify sites that are suitable for development, based on size, access and infrastructure.
- Approaching the owners of those sites to promote the opportunity of development and to understand the challenges and concerns related to bringing them forward.
- Brokering dialogue with SME developers through a developer forum (as described above).

(See Leeds City Council case study)

3. Councils should use their assets creatively. There are various ways this can be done:

a) Directly commissioning development on more small, publicly-owned sites, including garage sites, which could be brought forward for development.

- Begin the planning permission process in-house, so there is less risk for developers.
- Consider packaging sites together where this might increase attractiveness to small developers, or enable development of sites that would otherwise be unviable.
- Put the sites out to tender. An online portal (mentioned above) would be a useful means to do this as it provides immediate access to a pool of developers who are already well known to the council.

b) Using a “Build Now, Pay Later” model in which the council allows a developer to build on a site and to pay when the homes have been sold.

c) Using shared-equity and join-venture models which LGiU has advocated previously in our report *Under Construction*.

II. Resources

Aside from increasing the funding that planning departments receive, there are several approaches that local authorities can take to make the most effective use of the resources they do have.

Many councils with stretched resources already share services and staff across local authority boundaries. Some, such as West Somerset District Council and Taunton Deane District Council (see case study) share officers in their respective planning teams. Each council is too small to maintain some of the specialist staff, such as landscape officers and development managers by themselves. On a regional basis councils could collectively train specialist staff with a particular responsibility for identifying and opening up smaller sites.

We support the recommendation made by the House of Lords Committee on Economic Affairs:

“To incentivise local authorities and provide more resources for stretched planning departments, the Government should allow local authorities to set and vary planning fees in accordance with the needs of their local area.”

Builders indicate that they will happily accept higher fees, if this money is ring-fenced for planning departments, and applicants can be sure of receiving a good quality and consistent service for those fees. To ensure transparency and confidence in this process, a simple service level agreement could be used to set out expectations, standards and the timescales involved in the project in return for the fee.

“Builders indicate that they will happily accept higher fees, if this money is ring-fenced they can be sure of receiving a good quality service.”

As mentioned in the previous section, some local authorities charge fees for pre-application work. Such an approach should only be adopted with a guarantee that the revenue is ring-fenced to fund the planning department. Again, this would help build support for this among house builders if this were accompanied by a simple service level agreement, setting out the what is expected and what will be delivered within certain time frames. See the case study of Barnet Council in this report for an example of this approach in practice. One respondent, from Yorkshire and the Humber, said that in their authority “Pre-app discussions are currently free for nine units and below and a charge is made for larger developments”, but this kind of practice is not widespread.

4. Councils should pool and share staff, skills and resources on a regional basis where they are lacking in specific areas, such as:

- Landscaping officers
- Designers
- Viability assessments
- Market knowledge

Councils could work together to develop staff and skills to specialise in developing small sites and building relationships with local SME builders.

5. The Government should give councils the power to set and vary planning fees locally if:

- fees are ring-fenced to ensure adequate resourcing of planning departments, and
- simple service level agreements set out what can be expected in return for the fee.

6. Government should consider establishing a pilot Small Sites Expert Task Force. This would involve:

- A broad range of experts drawn from planning, local economic growth teams and the SME building sector
- Commissioning the team to develop best practice that could be used to assist local authorities in:
 - developing specific policies around small sites
 - effective use of planning to encourage small site development
 - utilising council-owned assets
 - making best use of the small sites in the SHLAA that may not have otherwise come forward

III. The planning application process

Problems most commonly arise in the planning application process when there is a breakdown in the link between the initial pre-application stage of the process and the actual approval process itself. Councils should seek to ensure the link remains strong so as to provide consistency and certainty.

This relies on good communication and clear understanding of what can be expected of both parties from the very beginning of the process. Developers should be made aware at the earliest opportunity of the conditions that will likely be attached to an application, the time scales involved in the process, and how matters such as Section 106 obligations will be dealt with.

Others, such as Birmingham City Council, have also set up an online portal with a dynamic purchasing system. This allows builders to join and gather the information on available sites as it becomes available, but crucially also to engage in dialogue with planners and housing officers. It also enables council staff to assess quickly the appetite for particular developments and to understand what support might be required at particular times.

Councils should think about how they want the planning application process to be applied to small sites. This could be informed by their strategic consideration of small sites within their local plan. This would then help to support planning officers in the decisions they make, though it is important in this that they are also supported and given confidence to use their initiative and good judgement, where applicable, to act as enablers of small sites.

More broadly, councils should look to reduce the uncertainties around bringing forward applications for small sites, for instance through the use of coordinating codes (see box below). These are similar to design codes, but slimmed down and simplified to be applied quickly to specific sites, or groups of sites at the neighbourhood level. They demonstrate the fundamental (but not detailed or prescriptive) design parameters with minimal

text and simple graphics. They provide clarity and agreement over what is expected at the outset of a project.

7. Councils should seek to reduce complexity and uncertainty in the application process. To do this they could:

a) Use coordinating codes to outline what is expected from developments, in terms of:

- Community and land use
- Access and movement
- Landscape
- Built form and massing

b) Ensure there is proper engagement with SMEs at the earliest opportunity around:

- The conditions that will be attached to an application and how they will be discharged
- The time scale involved in an application
- Issues which can be dealt with in the application itself
- How other matters such as Section 106 obligations will be implemented
- Councils should also ensure that planning conditions are only used when necessary, and that they meet the “Six Tests” in paragraph 206 of the National Planning Policy Framework.

Coordinating codes

One option that councils could explore is the use of “Coordinating Codes”, which have been developed by the Bartlett School of Planning, at University College London. These are distinct from Design Codes, in that they do not set out a detailed and prescriptive set of criteria for how a building must look. Rather, they specify, in simple language and clear diagrams, the general parameters of what is to be expected from a development.

The approach is designed to provide a guide for place-making, and cover the key issues of: Community and land use; access and movement; landscape; built form and massing

When asked how open they might be to future policy initiatives, 56 per cent of survey respondents said they would be “open” or “very open” to “More use of design code type arrangements”. There is resistance to design codes in some areas, where they are considered arduous or restrictive. But coordinating codes may help to clarify the relationship between sites, public space and infrastructure without losing too much flexibility.

There is an added bonus in that once the code has been drawn up it can be used to engage communities. It provides a clear and tangible outline of a development, which the public can understand and respond to.

8. To ensure a consistent approach to house building across the council, teams from different departments councils should:

a) Set up an internal “Small Sites Working Group” to overcome the barriers between council departments and help develop a more strategic focus. The group should meet quarterly to discuss challenges and opportunities relating to housing development that play out across the local authority. It should include senior officers from:

- Planning
- Housing
- Economic development
- Infrastructure
- Education
- Environmental and other relevant departments.

b) Co-locate housing and planning teams as well as, or instead of, a Small Sites Working Group

IV. Knowledge and understanding

Smaller builders also have a responsibility to engage with local councils properly, and to ensure that they understand the authority's aims and strategy with regard to house building. They should be sensitive to the resource and capacity pressures that planning departments are under and seek guidance from officers on what is expected from applications.

9. The industry, led by the FMB, should produce a short ‘best practice’ guidance document for small builders on how to approach planning for small sites, informed by the expertise of its members and in consultation with experienced planning officers.

V. Engagement

Improving engagement between planners and smaller builders is an important component in bringing more small sites forward for development. There should be general engagement with the sector in local areas, to

improve knowledge and understanding, as well as building stronger relationships between councils and the SME sector.

Good communication between councils and developers on individual applications also means that potential problems are raised and dealt with earlier in the process. This will be covered in the section on “process”, below.

There is clearly a need for better engagement by local authorities. As noted above, 22 per cent of local authorities and 50 per cent of builders said, “developers are unaware of the opportunities that exist through the Strategic Land Availability Assessment.” Meanwhile, 80 per cent of respondents to the FMB House Builders Survey said that “Local authorities in my area do not proactively communicate or engage with SME house builders” when asked “In which of the following ways do local authorities in your area seek to communicate or engage with SME house builders?”

Councils across the country have pursued a variety of engagement strategies. 78 per cent said that they actively seek to engage SME builders in the local plan making process, while 21 per cent said they engage with the sector through the Local Enterprise Partnership. While all this may be true, it is notable that very few SME house builders appear to have noticed this.

We strongly recommend that more councils set up local development forums to encourage good general engagement with SMEs, as outlined in the case study of North East Lincolnshire Council. It is particularly encouraging that 40 per cent of local authority respondents said that their authority has begun to do this in a way that brings together staff from the council with house builders and other stakeholders.

Yet there is also an imperative on builders to ensure that they are engaging properly, too. One respondent commented that small builders “are surveyed through the housing land audit process every year, but often do not respond.” Better systematic engagement between councils and builders would assist with this, as demonstrated in case studies of Birmingham City Council and North East Lincolnshire.

To improve their general engagement with builders, some councils run support sessions and workshops, which include running through the application process, clarifying what the council expects, and how conditions and regulations will be dealt with.

Early engagement work on individual applications is also essential to iron out many of the problems that often come up during the process. As one interviewee said: “The philosophy is to front-load engagement so that it is early in the process”.

Other positive approaches to engagement noted in individual responses to the survey, included the following:

“We have contacted all developers with extant and unimplemented consents offering help and assistance to make schemes viable.”

“Pre-app discussions are currently free for nine units and below and a charge is made for larger developments.”

“Training workshops, business breakfasts.”

“SME house builders are represented on our SHLAA/HELAA Panel and have been involved in forums during the preparation of the Development Delivery DPD, which is at publication stage.”

“We operate a forum specifically for local SME house builders where we provide updates on changes to planning legislation, building control legislation, local plan updates, council land availability (i.e. when small council-owned sites are to be marketed).”

10. Councils should improve their general engagement with SME house builders.

They should do this by:

a) Setting up a developer forum – councils

should establish a developer forum for builders and stakeholders in the area, to meet quarterly and discuss general issues relating to local development, Membership of the group should include:

- SME developers
- A representative of the LEP
- Elected members with the planning and housing portfolio
- Senior planning and housing development officers from individual authorities or across the region
- Letting agents, landowners, registered providers, and representatives from the care sector, Environment Agency, Homes and Communities Agency, and Highways England.

b) Setting up an online portal that allows local developers to join and receive up-to-date information on building opportunities, issues and requirements. This could cover:

- Sites identified in the SHLAA
- Council-owned land
- Opportunities within planning and development frameworks
- Planning application guidance and best practice examples
- Windfall and garage sites

c) Holding drop-in sessions and workshops to allow smaller builders to meet with senior planners on a quarterly basis. These could be used to discuss:

- Upcoming opportunities
- Issues and challenges in the area and in the market
- Common expectations around applications, regulations and conditions

(See Birmingham City Council case study)

Case Studies

The case studies in this report outline how some of these recommendations can be used in practice:

- **Leeds City Council:** Brokering relationships with landowners
- **Birmingham City Council:** Online planning portal and dynamic procurement system; commissioning development on public land; co-locating housing and planning departments
- **North East Lincolnshire Council:** Development Growth Board
- **West Somerset District Council and Taunton Deane District Council:** Pooling resources and staff across local authority boundaries



LGiU is an award winning think-tank and local authority membership organisation. Our mission is to strengthen local democracy to put citizens in control of their own lives, communities and local services. We work with local councils and other public services providers, along with a wider network of public, private and third sector organisations.



The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry, and with over 8,000 members, it is the recognised voice of small and medium-sized (SME) construction firms. Established in 1941, the FMB is independent and non-profit-making, lobbying continuously for members' interests at both the national and local level. The FMB is a source of knowledge, professional advice and support for its members across the UK. The FMB also offers advice and support to the general public on choosing and working with the right builder.

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