

APPEAL REFERENCE: APP/E3715/W/23/3322013
Rebuttal proof of evidence
on behalf of the Save Coventry Speedway & Stox Campaign Group



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Affordable Housing Proof of Evidence of James Stacey

Rebuttal Proof of Evidence

by David Carter

on behalf of:

**SAVE COVENTRY SPEEDWAY & STOX
CAMPAIGN GROUP**



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David Carter BSc MSc MRTPI

on behalf of:

SAVE COVENTRY SPEEDWAY & STOX CAMPAIGN GROUP

Site Address:

COVENTRY STADIUM, RUGBY ROAD, COVENTRY CV8 3GP

Appeal Proposal:

DEMOLITION OF EXISTING BUILDINGS AND OUTLINE PLANNING APPLICATION (WITH MATTERS OF ACCESS, LAYOUT, SCALE, AND APPEARANCE INCLUDED) FOR RESIDENTIAL DEVELOPMENT (USE CLASS C3) INCLUDING MEANS OF ACCESS INTO THE SITE FROM THE RUGBY ROAD, PROVISION OF OPEN SPACE AND ASSOCIATED INFRASTRUCTURE AND PROVISION OF SPORTS PITCH, ERECTION OF PAVILION AND FORMATION OF ASSOCIATED CAR PARK

Appeal Ref: APP/E3715/W/23/3322013 Planning

Application Ref: R18/0186

Document Ref: SCS/R2 DC

Date: 5 September 2023

Web: savecoventryspeedway.com

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COVENTRY STADIUM APPEAL

AFFORDABLE HOUSING PROOF OF EVIDENCE BY JAMES STACEY

REBUTTAL PROOF OF EVIDENCE BY DAVID CARTER

Introduction

1. The Draft Core Documents list issued shortly before the deadline for submission of evidence referred to an April 2023 report by Tetlow King submitted with the appeal. However, that document had not been made available and was subsequently removed from the CD list. Mr Stacey's evidence also refers to other documents that were not set out in the Statement of Case. Since this evidence is new to SCS, it is necessary to respond in this rebuttal proof.

2. The essence of Mr Stacey's evidence is that there is a housing crisis that is long-lived and one that is getting more acute for people who rely on affordable housing.

3. I agree with that basic premise as well as the need for action to address the situation. However, that action needs to cover all of the players in our complex housing system.

4. In section 2, Mr Stacey identifies affordable housing provision both as an important part of the planning system and as a material consideration. I agree. However, affordable housing is of course not the only consideration and, it is not government policy that it should automatically override all other considerations. It is one of many considerations that need to be taken into account in arriving at a planning decision. This appeal demonstrates that there are multiple issues, with the ultimate decision resting on a fair and balanced weighting of all the impacts, whether they have positive, negative or neutral effects. The planning system alone can't be expected to solve all housing issues, including those affecting the supply of affordable housing. There are other levers that also need to be deployed.

5. The disagreement between Mr Stacey and myself boils down to the weight that should be attached in this appeal.

The national position

6. Mr Stacey refers to the target of 300,000 new homes a year. The most recent published data from DLUHC shows¹ that the total² number of housing completions in recent years are as follows:

¹ <https://www.gov.uk/government/statistics/housing-supply-indicators-of-new-supply-england-january-to-march-2023/housing-supply-indicators-of-new-supply-england-january-to-march-2023> (see section 3, Table 1)

² Note that these completions include all completions: whether new build, conversions or change of use etc. For example, the 2021-22 year achieved only 210,070 new builds (see section 1 Key Statistics).

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Completions, England, by year

Year	Dwellings pa
2016-17	217,350
2017-18	222,280
2018-19	241,880
2019-20	242,700
2020-21	211,870
2021-22	232,820

7. These figures include not only new build but also conversions and changes of use. The numbers of completions over this period remained stubbornly consistent at c220-230K compared to the national target currently estimated at c300K. It is expected that completions are likely to fall in the year 2022/23 but this would not be a surprise given the economic problems in that period following the outbreak of war in Ukraine, a controversial 'mini-budget', cost of living crisis and high inflation.

8. However, if we look at the number of dwellings granted planning permission by year, data from the same DLUHC source shows (from Section 7, Table)

Planning permissions granted for housing, England, by year

Year ending	Units granted
31-Mar-17	329,000
31-Mar-18	314,000
31-Mar-19	327,000
31-Mar-20	315,000
31-Mar-21	310,000
31-Mar-22	302,000
31-Mar-23	269,000

9. Setting aside the most recent year, 1/4/22-31/3/23, in which there is a lag in activity probably as a consequence of the economic consequences noted above, in each of the preceding 6 years, more than 300,000 homes were permitted in each and every year. Notwithstanding this, the number of completions even in year 6 (to 31/3/22) of that period amounted to only 232,820, a long way short of the 300,000 target. I have highlighted year 6 as some permissions will have been outline, so reserved matters will need to be applied for, approved, site clearance has to take place and supporting infrastructure provided; but by the end of year 6 it does not seem unreasonable to anticipate that 300,000 out of the 1,897,000 dwellings permitted in the 6-year period would have been built. But they were not, so it is necessary to examine why that might be.

10. This can, perhaps, be informed by looking at the capacity of the housebuilding industry to deliver the quantum of homes required. I refer to a report produced by Arcadis Consulting in 2017 (and thus of relevance to the period considered above) looking into this. Their report is at Appendix 1. It shows, in the table on page 6, the numbers of additional people required by profession and trade, each year over a five-year period, to accelerate building capacity to deliver the then target of 270,000 dwellings. In 2018, the Letwin review report (see Appendix 2) also looked at the housebuilding industry and the build rate and identified a shortfall in bricklayers and the slow take-up of modern methods of construction. It also highlighted a problem with 'market absorption' arising from a lack of variety of product and the desire of housebuilders to hold back completions to maintain price levels.

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11. So, given the number of permissions granted, it is important not to assume, as developers are inclined to do, that the planning system itself is the current cause of a failure to meet the national housing target.

12. One of the most important parts of Mr Stacey's proof is Figure 3.1 (and as updated by Figure 4.2). This shows the long- term pattern of housebuilding nationally. It demonstrates quite starkly that activity and policy intervention by Government has been the most effective way in which housebuilding levels are at their highest, boosted by volume construction of affordable housing. The dearth of local authority housebuilding is also important; there is a very considerable reliance on the private sector. The post-war years were a boom period for Council house construction. Figure 3.1 is slightly misleading, however, as it does not include the last 10 years data. While Figure 4.2 includes the most recent data, the completion figures appear substantially different to the annual completion rates above. For example, Figure 4.2 suggests that completions in the year 2021-22 totalled c170K whereas actual completions (including conversions etc) in that year were 232,820 dwellings.

13. So, when Mr Stacey refers to the housing crisis and thus the need for this appeal to be allowed, it is not clear to me that simply granting planning permissions will either (a) help resolve the housing crisis or (b) protect the environment from unnecessary harm.

14. This aspect of Mr Stacey's case could, in effect, be applied equally to any plot of land.

Rugby Borough

15. Mr Stacey's Summary, para v refers to the, "pressing requirement to build more homes". Most would agree with this, but when we look at the position in Rugby, this is precisely what the Council appears to be achieving via their local plan.

16. The OAN for Rugby Borough was determined as 9,600 dwellings, 2011-31 equivalent to 480 dpa, including an uplift to address historic affordability. In addition, 2,800 dwellings were added to meet part (16%) of neighbouring Coventry City's (then assumed) unmet housing needs. The latter would also of course generate the provision of affordable housing in Rugby Borough. I have already referred to para 5.14 of the Local Plan in my proof of evidence and the statement there that the overall target for housing provision in Policy H2 "*will clearly ensure that affordable housing need is met for all existing and future residents of the Borough*".

17. The Local Plan Inspector determined that the requirement for the number of completions should increase from 2018. Mr Stacey's Figure 8.1 shows that there was indeed a 'step-change' in completions from 2018. Figures 8.2 and 8.4 also show that affordable housing completions also (understandably) increased significantly in that year and in the last 4 years even the net affordable housing additions (i.e. after right to buy losses over which the Council have no control) have averaged well in excess of exceeded 171 per annum in this period.

18. Paras 36, 37, 39 and 42 of the Inspector's Report into the Rugby Local Plan explain how the level of housing provision was established.

19. Interestingly, the 2022 HEDNA (CD8.17), although not tested yet through an examination, now suggests that Coventry's population had been overestimated by c35,000 people. With the benefit of hindsight, the implication of this is that the level of housing provision set by the local plan was set

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too high, but the allocations coming on-stream have advanced to a point where they will continue to come forward, in accordance with the adopted plan. No doubt the machinations arising from the 2022 HEDNA will be considered in the context of the local plan review.

20. Moving onto affordable housing, para 255 of the Inspectors Report states that, *"Policy H2 requires provision of affordable housing on sites of 11 or more dwellings, with targets of 20% of the overall number of units on brownfield sites and 30% on green field sites. I am satisfied that the viability evidence demonstrates these targets can be viably supported by residential development in Rugby and that, if met, they would address affordable housing needs in the borough as identified in the SHMA."*

21. This point is then reflected in para 5.14 of the adopted plan which clearly states that the overall target for housing provision in Policy H2, *"will clearly ensure that affordable housing need is met for all existing and future residents of the Borough"*. It is also important to note that the 171 annual affordable need is not a policy target.

22. The Inspector then dealt with the proposed housing mix established in the SHMA in para 256 of his report, stating that variation from the tenure and size mix that set out in the plan would be appropriate when, *"that the policy and supporting text allows for negotiation of an alternative mix where this can be justified by evidence."* (My emphasis).

23. As Mr Stacey states, the 2022 HEDNA (CD8.17) identifies an affordable housing requirement for Rugby of 495 dpa, a very substantial increase compared to the 171 dpa arising from the earlier SHMA. In my view, this revised estimate needs to be treated with a very strong health warning.

24. The implication of providing 495 affordable dpa without any other policy intervention would be that the current 663 total dpa would have to rise to 1919 dpa [$171 \times 663 / 495 = 1919$ dpa, a threefold increase). Since much of the 663 dpa is coming forward on large allocated greenfield sites then it must follow that further greenfield and Green Belt incursion on a massive scale would be required.

25. In the 2022 HEDNA (CD8.17), it is also worth pointing out that the overall annual housing requirement for Rugby is identified (Table 15.1) as lying in the range 516 dpa to 735 dpa. Using the 495 dpa figure, which also comes from the HEDNA, it would mean that affordable housing would represent $495 / 516 \times 100 = 95\%$ of the overall need at the lower level or $495 / 735 \times 100 = 67\%$ at the upper end. Such analysis is informative maybe, but as a basis for policy, or appeal decisions, I would suggest not. I am sure there will be many deliberations over this through the development plan process over the next couple of years and be subjected to thorough testing.

26. I now turn to delivery of housing within Rugby Borough. This shows that the step-change in housing provision has also been reflected in completions. Utilising the data in Mr Stacey's Table 8.1, this shows that average completions per annum have risen from 453 dpa 2011-12 to 2017-18 to 892 dpa over the past four years. Those completion rates compare to annual rates of provision in the early period of 540 dpa to 663 dpa in the latter period. The increase mirrors the step change and early shortfall which can be regarded as a significant achievement. Given the affordable housing targets in the Borough it is hardly surprising that delivery rates in the earlier period fell below the 171 dpa required in the SHMA. Before the step change, the affordable housing completions averaged 83 dpa whereas after, they have risen to an average of 221 dpa. Again, this marks a significant achievement and paints a somewhat different picture to Mr Stacey.

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27. It also needs to be pointed out that the local plan targets were nailed down by the local plan with its adoption in 2019, so the scope to overcome what might have happened previously is limited and, as I have already stated, the local plan does not set a specific affordable housing target. I believe these points question both the accuracy of Mr Stacey's 669 affordable dwelling shortfall and his portrayal of the Council's performance as a failure.

28. Mr Stacey's analysis goes on to identify other components to increase annual average delivery from a low of 110 dpa (in Table 8.3) up to 305 dpa moving forward over the next 5 years (Figure 9.1), using the Sedgefield method to deal with his estimated shortfall.

29. A couple of points on this. First, there is nothing in PPG that specifically requires any shortfall in affordable housing delivery to be dealt with by the Sedgefield method. It is clear the guidance relates to a shortfall in overall delivery to be addressed in this way, not a component. I acknowledge an appeal decision took that perspective, but if that were the proper methodology, then it would be stated in guidance³. The second point is that the rate of overall housing delivery is above target, so there is no need to address affordable housing in that manner.

30. At this point, I must stress that I would not dispute Mr Stacey's overall point that there is a need for rising levels of affordable housing need to be addressed, but that neither applies in the case of this appeal. It is a matter for the next review of the local plan in Rugby and for Government and the housebuilding industry in general, nationally.

31. Mr Stacey has mentioned the use of capital receipts to buy exiting property for affordable housing. The current limit of 40%, if raised, would be one way that the number of affordable units could be increased. Another way would be for affordable housing targets to be increased say from 20/30% brownfield/greenfield currently, to 30/40%. This could significantly add to affordable housing completions. I realise that viability is an issue that would be raised, but affordable housing targets are already higher in other areas.

32. If the two measure I mentioned were put into place, then the effect would approximate as follows:

Capital Receipts @ 100% = 50 dpa
40% AH on the 663 = 265 dpa
Total = 315 dpa

33. So, even Mr Stacey's Sedgefield shortfall could be exceeded, and that would not require the release of any additional housing sites, including the appeal site.

34. Turning to the bedroom mix and tenure of the affordable homes provided on the appeal site. The responses (CD09.23 and especially CD09.24) to the planning application from the Council's Housing Officer suggests a preference for 1 bed and 2 bed properties (which is at odds with the mix provided) and that there is a significant lack of demand for social rent in the area. However, those observations

³ The references in PPG to dealing with housing shortfalls and surpluses are: Paragraph: 031 Reference ID: 68-031-20190722 and Paragraph: 032 Reference ID: 68-032-20190722

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do not appear to fully reflect the approach in Policies H1 and H2 of the local plan that reference the 2015 SHMA and future updates (the 2022 HEDNA). Flexibility should be informed by evidence.

35. The Housing Officer has also referred to the importance of clustering affordable housing provision and the importance that the design of affordable homes should be indistinguishable. However, as I state in my proof, this would appear to be the position in respect of the appeal proposal.

36. Mr Stacey's evidence includes a helpful response to a Freedom of Information request at his Appendix JS2. This appears (Qu2) to back up the shortfall of one-bed accommodation and dearth of 4-bed accommodation as shown by the waiting times. The response to Qu4 shows that of the 577 households on the Housing Register, 424 include a desire to move into Brandon and Bretford Parish. This is because those households on the register can express a desire to live in any part or parts of the Borough. Information of the scale of need locally to the appeal site is not given.

37. One thing that is known is that affordable housing has been provided locally, on the nearby Sherwood Farm development released by the local plan. That development was of a scale that should have been capable of meeting the needs as identified in the evidence base to the BBNP (Appendix 6, [Brandon and Bretford Neighbourhood Plan | Rugby Borough Council](#)).

38. On behalf of the Council, Mr Stephens has stated (para 5.5 of CD16.1.1) there are 27 people locally that are in need of affordable housing. This would appear to be significantly below that proposed by the appeal scheme and is a figure that could be met, at least in part, by relets, or elsewhere. This is a point on which I am seeking clarification.

39. In Section 12, Mr Stacey refers to several other appeal decisions. What is clear is that is that the situations in all appeals are unique. Starting para 12.14, I note that the case concerned delivery of 23 affordable dpa with a shortfall of 4,000, a markedly different position where the Inspector refers to persistent under-delivery and extremely acute circumstances. Starting at para 12.16, this deals with an appeal where the provision of affordable housing would be 45%, again a markedly different situation. The case starting at para 12.19 mentions persistent under delivery and acute circumstances. Both cases starting at paras 12.23 and 12.25 have provision at 40% or higher.

Conclusions

40. Yes, there is a housing crisis but what this requires is an effective Government response and a recognition that all parts of the housebuilding industry must also play their part.

41. By allowing 100% reuse of capital receipts and increasing the affordable housing targets on qualifying sites, it would be possible to get within the higher numbers Mr Stacey calculates (305 dpa) without increasing overall housing provision.

42. The reviews of LPs will have to address these matters alongside a review of Government policy towards housing provision. The 2022 HEDNA appears to identify targets that would simply not be deliverable without radical change to housebuilding. It suggests that the need for new market housing is very low which would run counter to decades of experience in the U.K.

43. In relation the mix and tenure of accommodation to be provided there is significant variance from the approach set out in Policies H1 and H2 of the local plan and insufficient evidence to support the levels proposed.

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43. On the basis of the scheme submitted, the weight to be attached to affordable housing provision should reflect the matters I have referred to above. I note that the Council Officers report suggests significant weight should be attached. I would suggest modest positive weight would be more appropriate in the circumstances.



ARCADIS TALENT SCALE

The real extent of Britain's construction labour crisis

INTRODUCTION

From 'bridging' and 'plugging' it, to 'minding' and 'closing' it, the nation's skills gap is something that the industry loves to discuss, yet shies away from implementing practical solutions. As with lags in housebuilding and infrastructure investment, the British government and the construction sector have been in denial for decades. Now we are beginning to see the consequences of this procrastination and a fragmented industry.

Systematic underinvestment in the national workforce and a failure to heed the warning signs have contributed to a slip in productivity that currently sees the UK languish behind a host of other world economies. Meanwhile, capacity ceilings in some areas of the industry have seen prices jump and projects delayed.

When it comes to construction, the housing industry bemoans planning restrictions; the infrastructure sector cites indecision as stalling progress; and Brexit triggered a deluge of talk about material costs and currency effects. These factors are hugely significant but without the right people to do the work none of them matter one bit.

Even before Britain voted to exit the European Union, the number of people in the UK properly equipped to deliver the nation's lofty modernisation plans was well below requisite levels. Official figures show that construction employment is 15 percent down on 2008, with large numbers leaving the industry in their fifties. These people have left the industry never to return.

When it comes to building the homes and transport hubs of tomorrow it is sadly not as simple as merely training more people or relying on technology, automation and robotics. Getting the right people in the right places to do the right jobs is infinitely more complex than many give credit.

At Arcadis we are taking the skills crisis very seriously. In order to evidence the scale of the issue we have undertaken a detailed analysis of how many people are needed to build our homes and infrastructure to make sure our economy succeeds. As a nation, this is now the biggest issue we face.



SIMON LIGHT
UK Client
Development
Director

ARCADIS TALENT SCALE: KEY FINDINGS

Britain must recruit over **400,000 people** each year to deliver in line with housing and infrastructure need, equivalent of **one person every 77 seconds**

London, the South East and the East of England have the **greatest need** for people

A **hard Brexit** could see UK construction **miss out** on as many as **214,000 EU workers**

The **skills crisis** cannot be solved through training and technology alone, **rapid plugging is required** to minimise any Brexit shortfall



MARCH OF THE ‘MINTED’ WORKFORCE – AN EDUCATIONAL LEGACY

For a generation of school leavers, the university degree has long been the traditional gold standard of academic achievement and a failsafe gateway to a fulfilling future career. Yet this higher education drive does not always reflect the reality of the British labour market, and is certainly not the only route to entry. In fact, this historical focus on purely academic qualifications at the expense of practical skilled labour has done little to chip away at the increasingly lengthening shadow of housing undersupply and infrastructure underinvestment.

“Getting the right people in the right places to do the right jobs is infinitely more complex than many give credit”

The number of school leavers graduating in STEM subjects (Science, Technology, Engineering and Maths) has stuttered. Perhaps just as poignantly, unwarranted snobbery around studying technical subjects – many of which are now in drastically short supply – has seen uptake wane. As is illustrated so plainly in our findings, for many traditional trades, such as joiners and electricians, the supply shortfall in many parts of the country is substantial.

Such is the extent of this gap that if businesses and government continue to resist change in the way they run their operations, this could give rise to the MINTED workforce. The *Most In Need Trades Earning Double* workforce whose skills are in such short supply that they could potentially see their pay double before another generation enters the workplace.

That said, things are already changing. Many large organisations, including Arcadis, are leading the way when it comes to recognising the value that is manifest in hiring and developing school leaver talent. Professional services firms, banks and service industries all support extensive apprentice programmes and the development of school leavers into experienced and valuable employees in their future workforce.

An employment model more weighted towards apprenticeships could see businesses save on costs and produce a generation of young employees better suited to the world of work than many of their graduate counterparts of the same age.



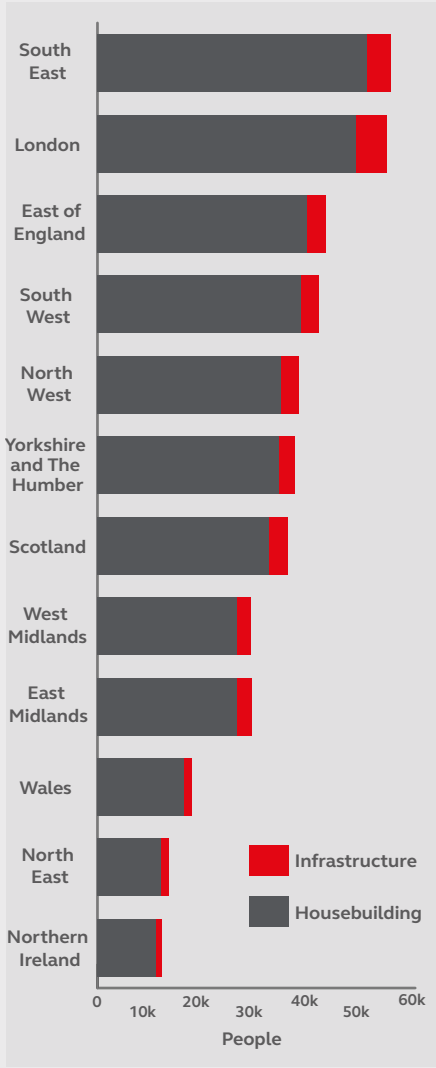
A BUILDING PROBLEM

Many occupations have yet to recover from the blow they experienced in the wake of the financial crisis, which led to a substantial downturn in the construction industry. To measure the true scale of the problem we have considered the construction workforce in a broad sense, including the most relevant occupations and industries.

This means that as well as those directly employed in the building process, we also consider those working in demolition and site preparation, electrical, plumbing and other construction installation activities.

We have considered current employment figures for these occupations, estimates as to the increase in labour demand the sector faces over the coming years, and factoring in projected attrition rates. This has given us an estimate as to exactly how many roles the industry will need to recruit, excluding the impact of Brexit, each year to be successful in delivering housing targets and major infrastructure programmes.

THE BRITISH ANNUAL RECRUITMENT REQUIREMENT FOR HOUSEBUILDING AND INFRASTRUCTURE 2016-2021



TOTAL	26,403	7,414	8,109	7,325	7,478	4,169	40,340	1,359	18,146	9,890	46,827	60,409	7,575	57,009	18,610	7,958	33,641	6,775	4,185	1,366	677	31,830	407,495
South East	5,163	745	751	1,033	1,216	1,096	5,792	246	1,500	2,128	6,290	9,001	1,684	10,064	2,663	486	2,056	538	296	50	-	2,642	55,440
London	4,815	1,221	2,836	1,283	1,145	213	3,957	-	1,950	812	5,877	6,947	344	12,433	2,083	185	781	988	970	-	114	5,602	54,556
East of England	2,459	770	250	729	1,012	469	3,976	145	2,809	1,195	4,516	5,678	737	5,550	2,880	1,126	4,760	254	624	58	159	2,897	43,052
South West	2,176	612	1,280	387	457	352	3,379	-	1,307	415	4,694	5,981	715	4,962	1,814	1,690	7,144	660	284	146	-	3,310	41,766
North West	2,135	528	739	522	961	450	4,133	362	1,915	1,023	4,165	5,981	141	5,137	925	908	3,836	798	140	55	100	3,024	37,976
Yorkshire and The Humber	2,184	345	372	451	605	210	4,771	288	752	1,234	5,141	4,229	1,190	3,716	2,219	1,027	4,343	501	614	212	121	2,737	37,261
Scotland	1,909	908	779	101	691	379	3,731	-	1,376	1,028	3,128	6,222	306	1,444	949	1,485	6,279	1,105	501	179	55	3,374	35,932
East Midlands	1,124	593	392	538	284	240	2,431	207	2,047	731	3,809	5,316	761	4,067	439	381	1,610	890	130	285	94	2,706	29,074
West Midlands	2,152	675	515	841	437	280	3,491	-	1,162	317	4,204	4,108	582	5,247	927	352	1,486	131	274	220	-	1,591	28,992
Wales	1,133	367	-	812	88	254	1,860	111	805	166	2,626	2,477	515	1,930	1,937	-	-	206	241	55	-	2,292	17,874
North East	748	360	-	278	370	131	1,940	-	1,606	685	1,020	1,933	254	1,270	1,159	-	-	433	111	62	34	1,050	13,446
Northern Ireland	404	289	195	350	213	93	879	-	916	155	1,356	2,537	348	1,188	616	319	1,346	272	-	45	-	605	12,127
																							Total
	Production managers and directors in construction	Engineers	Architects	Quantity surveyors	Construction project managers and related professionals	Draughtspersons	Electricians and electrical fitters	Steel erectors	Bricklayers and masons	Roofers and roof tilers	Plumbers and heating and ventilating engineers	Carpenters and joiners	Glaziers, window fabricators and fitters	Construction and building trades N.E.C	Plasterers	Floorers and wall tilers	Painters and decorators	Construction and building trades supervisors	Scaffolders, staggers and riggers	Road construction operatives	Rail construction and maintenance operatives	Elementary construction occupations	

Source: CSN, DCLG, ONS, Cebr analysis



THE REGIONAL NEED FOR PEOPLE

Given the varying degree of construction activity across different areas of the country, it is unsurprising that the shortfall of skilled workers to build the homes and infrastructure we need is greater in some areas than others. The extent to which some parts of the country are impacted, however, is quite alarming.

The areas where the gap is at its widest – namely southern and eastern England – have a lot of ground to make up if they are to meet the demands placed upon them. Further exacerbating the problem, the south east has been identified as having the greatest additional need in housebuilding and related industries, while London will need to employ more people in the infrastructure sector than any other region.

Given the strength of transport connections in and out of the south east, accessing the nation’s mobile workforce should, in theory, prove easier. However, doing so could weigh heavy on other parts of the UK. Furthermore, the Chancellor’s proposed review into taxable benefits and the potential crackdown around the Inland Revenue 35 regulation could potentially increase tax burdens for employers and employees who are required to work away from home, making resourcing from a national pool more challenging and expensive.

That said, there are some positive steps that can be taken to ease the strain being placed on the market. The HS2 Academy in the West Midlands and Doncaster is a fantastic example of the industry taking the bull by the horns, while the National Skills Academy for Nuclear aims to better equip people around the country to work in the energy sector.

“A greater emphasis on regional, needs-based training is required if we are to truly tackle the issues in a short timeframe.”

A greater emphasis on regional, needs-based training and upskilling is required if we are to truly tackle the issues at play in a short timeframe.

Another area of opportunity lies within the devolution agenda. With combined authorities soon to be appointing their long-awaited mayors, the regional skills agenda needs to be at the very top of the to-do list. Many current devolution deals involve allocating regional funding to the further education sector. This investment must be properly managed and targeted



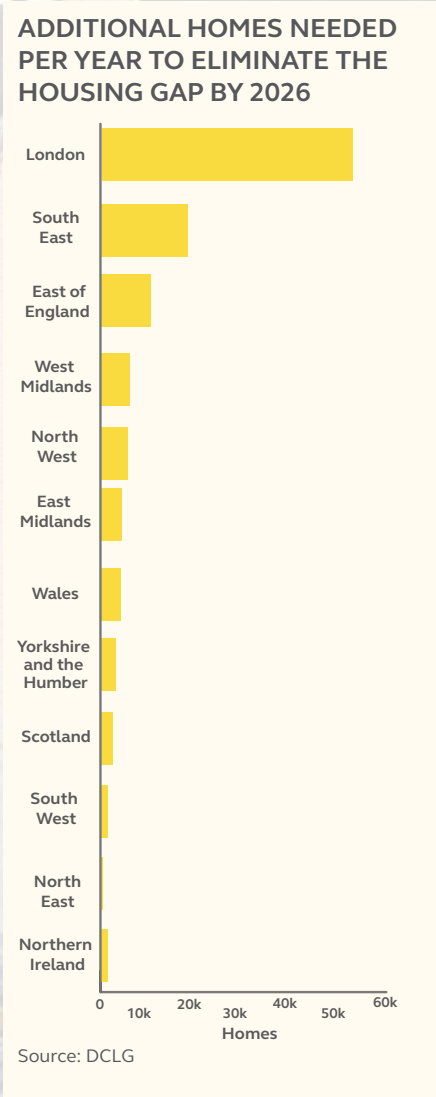
at areas, such as construction, where need is greatest. However, initiatives such as these take time to produce tangible benefits so engaging with the Local Enterprise Partnership at the earliest possible opportunity is the best way to ensure the right funding is allocated to the right areas.

HOUSEBUILDING

When it comes to the much maligned ‘housing crisis’, there is no doubt that the sheer lack of people to physically build the homes we need is evident. Between now and 2026 the UK needs to build an additional 110,000 homes per annum on top of those currently projected in order to keep pace with our growing and ageing population.

Housebuilding is a particularly labour intensive industry and although new technologies and increased off-site production are being implemented to reduce costs and increase productivity, the supply of labour is still one of the binding constrictions on output. Existing evidence suggests that the relationship between labour and number of houses that can be built is close to being linear. Therefore, in order to increase the number of homes being built the labour force employed in housebuilding needs to increase by the same share.

NUMBER OF ADDITIONAL PEOPLE NEEDED EACH YEAR TO INCREASE OUTPUT TO AROUND 270,000 HOMES OVER THE NEXT FIVE YEARS



TOTAL	21,743	1,870	5,887	5,788	5,140	3,204	37,270	1,217	17,479	9,450	46,085	59,521	7,432	55,445	18,343	7,958	32,347	4,598	3,760	26,427	370,964
South East	4,252	188	545	816	836	842	5,351	220	1,445	2,034	6,191	8,869	1,652	9,788	2,625	486	1,977	365	266	2,193	50,941
London	3,965	308	2,059	1,014	787	164	3,656	-	1,879	776	5,784	6,845	337	12,092	2,053	185	751	671	872	4,651	48,847
East of England	2,025	194	181	576	695	360	3,673	130	2,705	1,142	4,445	5,595	723	5,398	2,838	1,126	4,577	172	560	2,405	39,523
South West	1,792	154	930	306	314	270	3,122	-	1,259	396	4,620	5,893	702	4,826	1,788	1,690	6,869	448	255	2,748	38,382
North West	1,758	133	536	413	660	346	3,818	324	1,845	978	4,099	5,893	138	4,996	912	908	3,689	541	126	2,511	34,622
Yorkshire and The Humber	1,799	87	270	357	416	162	4,408	258	725	1,179	5,060	4,166	1,167	3,614	2,187	1,027	4,175	340	551	2,273	34,220
Scotland	1,572	229	566	80	475	291	3,447	-	1,326	982	3,078	6,131	300	1,404	935	1,485	6,038	750	450	2,801	32,342
West Midlands	1,772	170	374	665	300	216	3,226	-	1,120	303	4,137	4,047	571	5,103	914	352	1,429	89	246	1,321	26,353
East Midlands	926	150	284	425	195	184	2,246	186	1,972	698	3,748	5,238	747	3,955	432	381	1,548	604	117	2,246	26,284
Wales	933	93	-	641	60	195	1,718	100	776	159	2,585	2,440	505	1,877	1,909	-	-	139	217	1,903	16,250
North East	616	91	-	220	255	101	1,792	-	1,547	654	1,004	1,905	249	1,235	1,143	-	-	294	99	872	12,077
Northern Ireland	333	73	142	276	147	72	812	-	882	148	1,335	2,500	341	1,156	607	319	1,295	185	-	502	11,123
																					Total
	Production managers and directors in construction	Engineers	Architects	Quantity surveyors	Construction project managers and related professionals	Draughtspersons	Electricians and electrical fitters	Steel erectors	Bricklayers and masons	Roofers and roof tilers	Plumbers and heating and ventilating engineers	Carpenters and joiners	Glaziers, window fabricators and fitters	Construction and building trades N.E.C	Plasterers	Floorers and wall tilers	Painters and decorators	Construction and building trades supervisors	Scaffolders, staggers and riggers	Elementary construction occupations	






















Source: CSN, ONS, Cebr analysis

INFRASTRUCTURE

Britain has one of the most ambitious national infrastructure programmes in Europe. With HS2 and Crossrail underway and much more planned, companies in the industry will draw heavily on the common talent pool. Despite the uncertain outlook for the UK economy following Brexit, the government under Theresa May seems committed to drive the largest projects forward. Moreover, it is expected that the government will set aside more money for road and rail works in order to support the UK economy over the coming years.

According to figures from the Construction Products Association, the infrastructure sector is projected to grow only by 1.2 percent in 2016. However, for the years from 2017 to 2020 it predicts a pick-up in infrastructure output of 30 percent. Increased demand for people in the infrastructure industry is calculated by assuming that the workforce has to expand in line with this growth.

NUMBER OF NEW PEOPLE NEEDED EACH YEAR TO MEET FORECAST INFRASTRUCTURE NEED

TOTAL	4,660	5,543	2,222	1,537	2,338	965	3,070	142	666	440	742	888	143	1,563	268	1,294	2,178	425	1,366	677	5,402	36,531
London	850	913	777	269	358	49	301	-	72	36	93	102	6	341	30	30	318	99	-	114	951	5,709
South East	911	557	206	217	380	254	441	26	55	95	100	132	32	276	38	79	173	30	50	-	448	4,499
Scotland	337	679	214	21	216	88	284	-	51	46	50	91	6	40	14	242	355	51	179	55	573	3,590
East of England	434	576	68	153	316	109	303	15	103	53	72	83	14	152	41	183	82	63	58	159	492	3,529
South West	384	458	351	81	143	81	257	-	48	18	74	88	13	136	26	275	212	29	146	-	562	3,383
North West	377	395	202	110	300	104	315	38	70	46	66	88	3	141	13	148	256	14	55	100	513	3,353
Yorkshire and The Humber	386	258	102	95	189	49	363	30	28	55	81	62	22	102	32	167	161	62	212	121	465	3,041
East Midlands	198	444	107	113	89	56	185	22	75	33	60	78	14	112	6	62	286	13	285	94	459	2,791
West Midlands	380	504	141	176	136	65	266	-	43	14	67	60	11	144	13	57	42	28	220	-	270	2,638
Wales	200	275	-	170	27	59	142	12	30	7	42	36	10	53	28	-	66	25	55	-	389	1,624
North East	132	269	-	58	116	30	148	-	59	30	16	28	5	35	17	-	139	11	62	34	178	1,369
Northern Ireland	71	216	53	73	67	22	67	-	34	7	21	37	7	33	9	52	87	-	45	-	103	1,004
																						Total
	Production managers and directors in construction	Civil Engineers	Architects	Quantity surveyors	Construction project managers and related professionals	Draughtspersons	Electricians and electrical fitters	Steel erectors	Bricklayers and masons	Roofers and roof tilers	Plumbers and heating and ventilating engineers	Carpenters and joiners	Glaziers, window fabricators and fitters	Construction and building trades N.E.C	Plasterers	Painters and decorators	Construction and building trades supervisors	Scaffolders, staggers and riggers	Road construction operatives	Rail construction and maintenance operatives	Elementary construction occupations	

Source: Construction Products Association (CPA), ONS, Cebr Analysis

BREXIT WOUNDS



The matter of Brexit is not necessarily the real issue, it merely brought an pre-existing problem to the fore. However, on top of the lack of skills in each profession and sector, the eventual Brexit deal that the UK strikes with the European Union looks likely to further increase the strain.

Construction is heavily reliant on unskilled or semi-skilled workers and a points-based system could prove problematic in terms of bringing in the right labour. This is further complicated by the fact that, as a net importer of talent, there is currently little incentive for EU nations to invest in visa structures.

Regardless of the outcome of the negotiations, restricting EU migration to the UK will add significantly to the administrative burden associated with satisfying

visa requirements. This will both slow the recruitment process and increase costs for construction employers, potentially seeing projects delayed.

Furthermore, with construction such a margin-sensitive industry, controlling post-Brexit labour and resource costs will prove critical if we are to ensure housebuilding and infrastructure projects remain viable.

While the sheer numbers involved appear extremely challenging, the real issue is time. All industry segments face a similar melting pot of challenges – an ageing workforce, lack of skilled trades, reliance on EU migrant labour and a lack of capacity to upskill and train new entrants to the labour market. However, not every industry has historically proved as inflexible as construction.

RAPID PLUGGING

Plugging the employment gap the nation faces in such a short period of time cannot be wholly achieved through education and technologies alone. The following measures could go some way to covering the shortfall in the near term.



RECRUITING FROM OTHER INDUSTRIES

Looking for workers with transferable skills in other sectors and those looking to return to work is achievable. Such a move could see an influx to the industry's labour force much sooner than training and educational investment will allow.



BACK TO BASICS REVIEWS OF WASTE

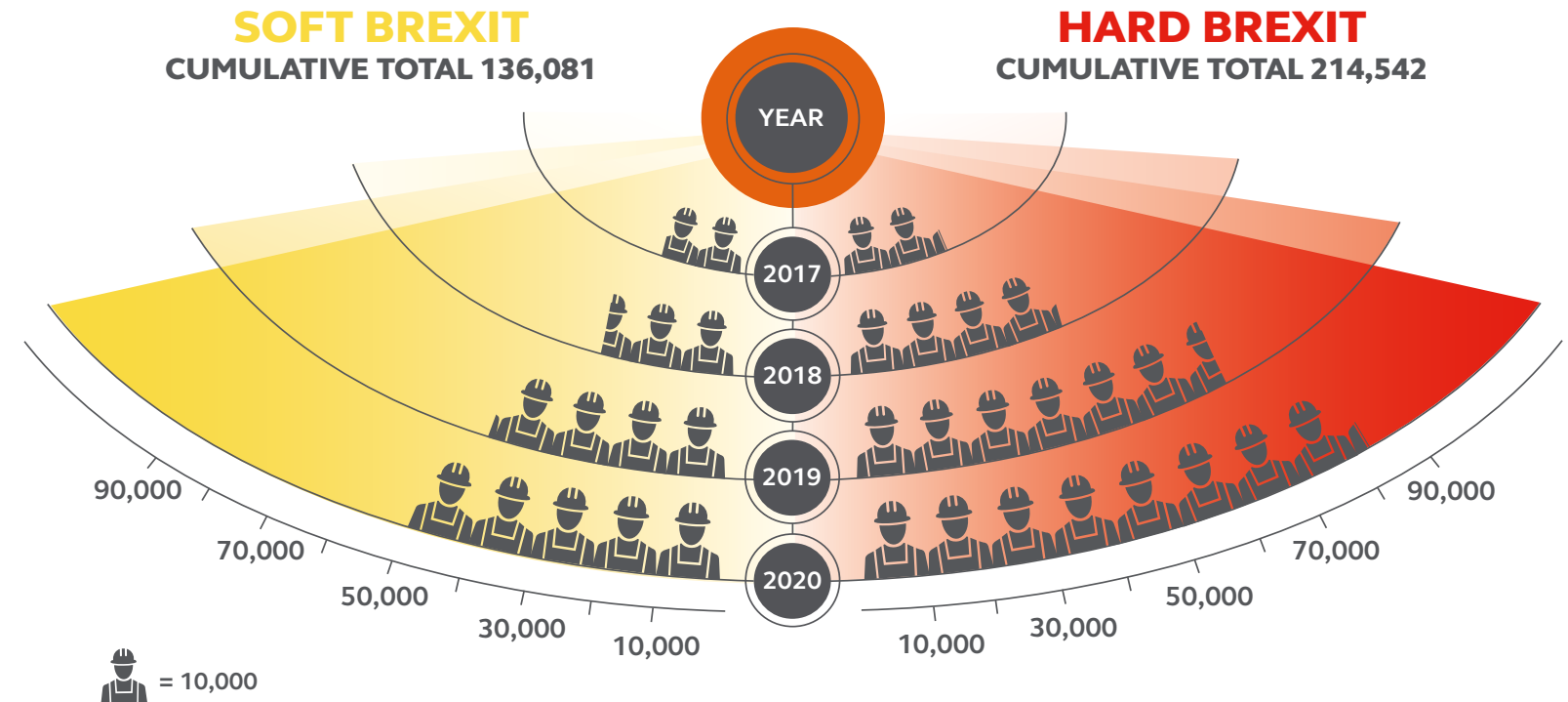
Collectively looking at wasted labour and time across the supply chain would reduce duplication and ensure everyone is fully enabled to perform. This is not an easy endeavour for an industry that struggles so glaringly with collaboration, but the benefits could be significant.



BOOSTING SUPERVISION

More efficient planning and execution could be achieved by moving people from the highly skilled, but ageing, workforce into a wider array of supervisory roles. This could both stem industry attrition whilst also facilitating valuable knowledge transfer, ultimately leading to improved productivity.

NET LOSS OF EU WORKERS TO HOUSEBUILDING AND INFRASTRUCTURE BY 2020



In the event of a 'soft' Brexit the construction workforce could see a steady reduction in numbers. We have estimated a scenario whereby, for instance, rigid quotas are introduced or policies implemented on a sector-by-sector basis, allowing for a degree of EU migration into the sector.

A potential 'hard' Brexit scenario – for instance, extending the points-based system currently in place for non-EU migrants – could see the number of EU construction workers entering the UK fall at the rate of attrition. This would mean that those EU nationals leaving the industry cannot be replaced at the same rate by new EU workers.

ALL IN IT TOGETHER

With an issue as complex and long-standing as the British skills crisis there is no silver bullet.

That said, there is plenty that government, the business community and even those within the existing workforce can do to better equip themselves and our nation for the challenges that lie ahead.

WHITEHALL

Clarity around the existing EU labour force within the UK is critical. Securing the rights for those currently working in British construction will be essential if we are to ensure an element of relative continuity and avoid a sudden workforce landslide at the point of Brexit.

The visa system is amongst the most crucial considerations for any future Brexit terms. The pre-existing multi-tiered system is weighted towards assessing levels of formal education rather than skills. Such a system is not fit for a future workforce of EU workers who possess the skills we need, if not obtained through formal educational routes. Quotas or a points-based system for critical skills shortages is a must. The sooner industry understands where these parameters lie, the less impact this is likely to have on the health of our economy.



In the Chancellor’s 2016 Autumn Statement he outlined a consultation on tax treatment on benefits in kind. Many of the projects that the British government have pinned their hopes on for economic stimulus – such as Hinkley Point and HS2 – will put additional cost burden on those living away from home and make future headline grabbing projects more difficult and costly to resource, which will only drag on project schedules.



BRITISH BUSINESS

Companies will typically only make significant operational changes if there is a direct benefit to the bottom line. The time has now come. British business must now evolve more quickly and respond to the challenge of a rapidly changing commercial and political global landscape.

Modern methods of construction such as off-site manufacturing, robotics and Building Information Modelling have been available for some time but remain seriously underused. Never before has there been a greater need to push for action and investment. Tax relief and a commitment to public sector procurement using these vehicles would provide a solid base. However, even with this technology new skills and knowledge are needed to effectively use and maintain it.

Meanwhile, nobody can deny that construction suffers from a fundamental image problem. Many view it as a ‘4D industry’ – dirty, dangerous, demeaning and depressing – and this has held us back for some time. Strong leadership can push forward the necessary cultural change. If we are to move forward and attract a more diverse and inclusive workforce this needs to be addressed. To this end, businesses have a role to play in highlighting how rewarding a career in construction can be, and how fulfilling it is to be part of an industry that creates such incredible feats of human endeavour.

Perhaps just as importantly, businesses can make better use of their existing people. Investment in up-skilling and cross-skilling people is time and cost intensive, and with businesses reporting on quarterly results with tight margins, the appetite is understandably lacking to make any decision that could have a detrimental impact. It is precisely here that decisive leadership can, again, make the difference.

However, with evolving client needs comes an increased need for evolving skills. Agility and mobility are now critical and a project manager needs to be an experienced generalist, with a comprehensive knowledge of a variety of sectors. Tomorrow we could also require skills that we are not even aware of today. The old-fashioned preserve of sector specialisations will reduce our ability to respond to market changes and have a substantial impact further down the line.

BRITISH WORKERS

For an increasingly flexible national economy many UK workers have become too specialised in their skill sets. Estimates suggest that in a few years a large chunk of the British workforce will be freelance. Such a scenario will create a vastly increased requirement for those with wider industry skills and with wider experience. If this shortage is not addressed, what could unfold is a freelance labour force racing to the bottom of the rate card. Not only does this mean potential wage depression in certain pockets but we could also see service quality compromised.



For generations, British talent has borne something of a quality ‘kitemark’ around the world. If we are to maintain quality and quantity of outputs, and remain attractive to investors we must ensure that British skills and talent are viewed as desirable. This reputation is hard won, based on our economic achievements so far. Any dilution in the commodity value achieved will lead to a depression on the labour market with capacity issues.

“If Britain is to maintain outputs and remain attractive to investors we must ensure that our exportable talent is viewed as desirable.”

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APPENDIX 2



Independent Review of Build Out

Final Report

Rt Hon Sir Oliver Letwin MP



Independent Review of Build Out

Final Report

Rt Hon Sir Oliver Letwin MP

Presented to Parliament
by the Secretary of State for
Housing, Communities and Local Government
by Command of Her Majesty

October 2018

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Executive summary

- This is the Final Report of the Independent Review of Build Out Rates. The Review was commissioned by the Chancellor of the Exchequer at the time of the Budget in Autumn 2017.
- I have worked with the help of a group of independent experts and the support of a dedicated team of officials. My [Draft Analysis](#) was published in June. The Analysis focused on the issue of the build out rate of fully permitted new homes on the largest sites in areas of high housing demand.
- I concluded that the homogeneity of the types and tenures of the homes on offer on these sites, and the limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of the slow rate of build out.
- This, my Final Report, presents recommendations about ways in which the Government could increase the variety and differentiation of what is offered on these large sites, raise the proportion of affordable housing, and raise the rate of build out.
- I have concluded that the Government should:
 - adopt a new set of planning rules specifically designed to apply to all future large sites (initially those over 1,500 units) in areas of high housing demand, requiring those developing such sites to provide a diversity of offerings, in line with diversification principles in a new planning policy document; and
 - establish a National Expert Committee to advise local authorities on the interpretation of diversity requirements for large sites and to arbitrate where the diversity requirements cause an appeal as a result of disagreement between the local authority and the developer.
- To give the greatest possible chance that the new planning rules for large sites will have an effect in the near-term I recommend that the Government should:
 - provide incentives to diversify existing sites of over 1,500 units in areas of high housing demand, by making any future government funding for house builders or potential purchasers on such sites conditional upon the builder accepting a Section 106 agreement which conforms with the new planning policy for such sites; and
 - consider allocating a small amount of funding to a large sites viability fund to prevent any interruption of development on existing large sites that could otherwise become non-viable for the existing builder as a result of accepting the new diversity provisions.
- To give the greatest possible chance of significant change in the build out rates and quality of large scale development in the longer-term I recommend that the Government should:
 - introduce a power for local planning authorities in places with high housing demand to designate particular areas within their local plans as land which can be developed only as single large sites, and to create master plans and design codes for these sites which will ensure both a high degree of diversity and good design to promote rapid market absorption and rapid build out rates;
 - give local authorities clear statutory powers to purchase the land designated for such large sites compulsorily at prices which reflect the value of those sites once they have

planning permission and a master plan that reflect the new diversity requirements (with guidance for local authorities to press the diversity requirements to the point where they generate a maximum residual development value for the land on these sites of around ten times existing use value rather than the huge multiples of existing use value which currently apply); and

- also give local authorities clear statutory powers to control the development of such designated large sites through either of two structures (outlined in Annex C):
 - a. the local authority could use a Local Development Company (LDC) to carry out this development role by establishing a master plan and design code for the site, and then bringing in private capital through a non-recourse special purpose vehicle to pay for the land and to invest in the infrastructure, before “parcelling up” the site and selling individual parcels to particular types of builders/providers offering housing of different types and different tenures; or
 - b. the local authority could establish a Local Authority Master Planner (LAMP) to develop a master plan and full design code for the site, and then enable a privately financed Infrastructure Development Company (IDC) to purchase the land from the local authority, develop the infrastructure of the site, and promote the same variety of housing as in the LDC model.

1 Summary of Draft Analysis

Aims of the Review

- 1.1 My [terms of reference](#) require me, by the time of the Budget in the Autumn, to “explain the significant gap between housing completions and the amount of land allocated or permissioned in areas of high housing demand, and make recommendations for closing it”.
- 1.2 I published, in June, a Draft Analysis. This focused on the issue of the build out rate on the largest sites in areas of high housing demand for two reasons:
- the ‘build out rate’ on small sites is intrinsically likely to be quicker than on large sites; (to take the limiting case, a site with just one house will take only as long as required to build one unit); and
 - the largest sites are dominated by the major house builders and other major participants in the residential property market, and it is in relation to these major firms that concern has been expressed in some quarters about “land banking” and “intentional delay”.
- 1.3 My aim in the Draft Analysis was to determine:
- what the build out rate on large sites in areas of high housing demand actually is;
 - why the rate of build out on these sites is as it is; and
 - which factors would be most likely to increase the rate of build out on these sites without having other, untoward effects.

Build out rates on large sites

- 1.4 The quantitative results of my investigation are set out in Chapter 3 of the Draft Analysis, and full data are provided in Annex A of the Draft Analysis.
- 1.5 I found that the median build out period on the large sites I investigated was 15.5 years. To put this another way, the median percentage of the site built out each year on average through the build out period on these 15 large sites was 6.5%. By cross-checking against a Molior data-set for other large sites in London kindly provided by the Mayor, I confirmed that the sites in my sample were not atypical and that, if anything, they were being built out at a faster rate than other large sites. The median percentage annual build out rate for London sites of over 1,000 homes in the Molior data-set was 3.2%.
- 1.6 It is worth restating this point: very large sites will almost always deliver a higher absolute number of homes per year than sites with only a few hundred homes in total; but the proportion of the site built out each year is likely to be small.

Fundamental explanations

- 1.7 I concluded in the Draft Analysis that the homogeneity of the types and tenures of the homes on offer on these sites, and the limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of the slow rate of build out.
- 1.8 I also concluded that:
- a. it would not be sensible to attempt to solve the problem of market absorption rates by forcing the major house builders to reduce the prices at which they sell their current,

relatively homogenous products. This would, in my view, create very serious problems not only for the major house builders but also, potentially, for prices and financing in the housing market, and hence for the economy as a whole;

- b. we cannot rely solely on small individual sites. This cannot be a question of “either / or”. We will continue to need more new housing both on smaller sites and on large sites; and
- c. if either the major house builders themselves, or others, were to offer much more housing of varying types, designs and tenures including a high proportion of affordable housing, and if more distinctive settings, landscapes and streetscapes were provided on the large sites, and if the resulting variety matched appropriately the differing desires and financial capacities of the people wanting to live in each particular area of high housing demand, then the overall absorption rates – and hence the overall build out rates – could be substantially accelerated.

Other potential constraints

1.9 Finally, I assessed the extent to which the rate of build out on very large sites might be held back by constraints other than the market absorption rate, if that binding constraint were removed. I looked in particular at the extent to which both start up on site and later build out rates could be affected by:

- lack of transport infrastructure,
- difficulties of land remediation,
- delayed installations by utility companies,
- constrained site logistics,
- limited availability of capital,
- limited supplies of building materials, and
- limited availability of skilled labour.

1.10 I found that more effective coordination between government departments, agencies and private sector operators was urgently required to improve and speed up the delivery of transport and utility infrastructure before the build out could start (and sometimes during the construction period) on large brownfield sites; but I concluded that neither this issue nor any of the other potential constraints were likely to impede the build out rate itself, even if the constraint of the absorption rate was removed – with one exception – namely, the availability of skilled labour.

1.11 On the availability of skilled labour, my conclusion was that an insufficient supply of bricklayers would be a binding constraint in the immediate future if there was not either a substantial move away from brick-built homes, or a significant import of more skilled bricklayers from abroad, or an implausibly rapid move to modular construction techniques. I concluded that the only realistic method of filling the gap in the number of bricklayers required to raise annual production of new homes from about 220,000 to about 300,000 in the near-term, was for the Government and major house builders to work together on a five year “flash” programme of on-the-job training. During the course of preparing this Final Report I have had the opportunity to discuss this further with various stakeholders, including the TUC, and have come to the conclusion that there is an opportunity here to convene tripartite

discussions between (a) the relevant government departments (i.e. the Ministry of Housing, Communities and Local Government (MHCLG), the Department for Business, Energy and Industrial Strategy, the Department for Education and HM Treasury), (b) the major house builders as well as the Construction Industry Training Board, and (c) the trade unions, in order to construct both new models of employment and a new training programme for bricklayers¹. I recommend that the Secretary of State for Housing, Communities and Local Government should convene such tripartite discussions.

2 Setting out the intention

2.1 On the basis of the [Draft Analysis](#), as well as urging Ministers to consider more coordinated provision of infrastructure for large brownfield sites and an urgent programme of training and employment for bricklayers, I concluded that:

...if either the major house builders themselves, or others, were to offer much more housing of varying types, designs and tenures (and, indeed, more distinct settings, landscapes and street-scapes) on the large sites and if the resulting variety matched appropriately the desires of the people wanting to live in each particular part of the country, then the overall absorption rates – and hence the overall build out rates – could be substantially accelerated; the outcome at which we should aim...is more variety within those sites.

2.2 Following publication of the Draft Analysis in June, I have received and have reviewed a number of comments from experts and stakeholders. Whilst there were, inevitably, some questions raised about some specific aspects of the Analysis, there appears to have been a broad consensus that the principal conclusions set out in paragraphs 1.4-1.11 are roughly correct. I have consequently relied upon these conclusions about the nature of the problem when devising solutions for the slow build out rates on large sites in areas of high housing demand.

2.3 I have, accordingly, in the second phase of my work sought to find policy levers that will positively increase the variety and differentiation of what is offered on these sites. I have also looked at methods of bringing forward diversified large sites on a sustained basis, to ensure that faster build out rates on such sites provide a long-term, substantial increase in house building rather than just a one-off gain.

2.4 In constructing policy options for achieving these aims, I have been mindful of the need to ensure that new policies:

- a. should not jam up the housing market or impair the capacity of the major house builders to continue large-scale construction;
- b. should not impose undue pressure on local authorities whose planning departments are already under considerable strain;
- c. should help to widen opportunities for people seeking homes;
- d. should also widen opportunities for those capable of supplying new homes on large sites;
and

¹ Such a programme could build on and extend the £24m Construction Skills Fund programme currently being run by the Department for Education, which has received bids from industry consortia to establish 20 on-site training hubs and is oversubscribed

- e. should yield the greatest possible likelihood that such sites, as well as being built out more quickly, will in future be places that are beautiful and ecologically sustainable, so that succeeding generations can be proud of them.

2.5 As I indicated in my Draft Analysis, I have been:

open to the possibility that the policies designed to achieve immediate, short-term improvement in build out rates (while avoiding all of the pitfalls) may be somewhat different in character from those designed to optimise the use of large sites that come forward in future and thereby increase the overall velocity of house building in the long-term.

2.6 I have concluded in the second phase of my work that increasing diversity (and hence improving build out rates) on large sites in areas of high housing demand will require a new planning framework for such sites (which can apply both to the further development of large sites already under construction and to new large sites that have yet to be allocated or permitted). I have also concluded that, in the future, new large sites that come forward for allocation in areas of high housing demand should be developed through new structures that draw on international experience.

3 Increasing diversity: a new planning framework for large sites

3.1 The new National Planning Policy Framework (NPPF) encourages residential developments to have a mix of tenures, types and sizes which reflect local housing demand (as well as emphasising the importance of good design). The NPPF requires that:

- “the size, type and tenure of housing needed for different groups in the community should be assessed and reflected [by local planning authorities] in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.” (para 61)
- “where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site...” (para 62)
- “planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership.” (para 64)
- to promote a good mix of sites, local planning authorities should, among other things, “work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes.” (para 68)

3.2 Clearly, these requirements – and, in particular, the requirement for local authorities to encourage the sub-division of large sites to speed up the delivery of new homes – are likely to promote increasing diversity on the large sites and are therefore to be welcomed. However, most of these requirements were present in the previous version of the NPPF; the addition of a reference to sub-division does not, in itself, provide a sufficient guarantee that the large sites will be significantly more diverse than they have been over recent years, and therefore does not, in my judgement, offer the prospect of significant increases in the rapidity of build out on such sites.

3.3 I therefore recommend that the Government should adopt a new set of planning rules specifically designed to apply to large sites. The purpose of these rules should be to ensure that all sites in areas of high housing demand whose size exceeds a certain threshold are subject to an additional form of planning control that requires those owning such sites to provide a diversity of offerings on the site which are able to address the various categories of demand within the local housing market. This, in turn, should ensure that houses can be built at a greater rate than at present on such sites, because the absorption rate for each category of housing will be complementary, yielding, overall, a greater absorption of housing by the local market as a whole in any given period.

3.4 I envisage that these new rules will in the long-term include:

- certain, limited amendments to primary legislation;
- a small amount of new secondary legislation; and
- a new planning policy document that could be annexed to the NPPF and would deal exclusively with planning policy in relation to large sites in areas of high housing demand.

However, I believe that it may be possible for the Government initially to bring in the new rules through a combination of a Written Ministerial Statement, new secondary legislation and the issuing of the new planning policy document. This could be done well before primary legislation could be taken through the two Houses of Parliament – and I recommend that Ministers should consider using these methods to ensure that the new rules begin to have an effect on the planning system even before they are given full statutory backing.

3.5 In order to ensure that those already in possession of large sites are able properly to plan their way through the transition to the new set of rules without creating any disruption of the process of building homes on such sites, I recommend that an adequate notice period should be given by the Government for the implementation of the new rules. If, for example, the Government decides to adopt my recommendations at the end of 2018, I suggest that it should be made clear to the owners of existing large sites in areas of high housing demand, and to those who are taking such large sites through the current planning system before commencing works, that the new rules governing planning permission for large sites will come into force at the start of 2021, and will therefore govern any permissions granted for large sites on or after that date.

3.6 I recommend that the amendment to primary legislation should:

- define large sites both in terms of a size threshold (which might, for example, be set initially at 1,500 units²) and in terms of boundaries (to ensure that a site which is allocated as a single entity in a local development plan qualifies, even if it benefits from a number of different outline planning permissions);
- require local planning authorities, when granting allocations, outline permissions or final planning permissions for any large site or any part of a large site in areas of high housing demand, to comply with the new secondary legislation and the new planning policy relating to large sites – and, in particular, to include within all outline planning permissions for large sites in areas of high housing demand a requirement that ‘housing diversification’ on such sites should be a ‘reserved matter’; and
- establish the principle that all permissions for reserved matters granted in relation to

² I set out, in Annex A to this report, some data which have persuaded me that 1,500 units is a workable definition of a large site.

such large sites should contain diversification requirements in accordance with the new secondary legislation and the new planning policy for large sites.

3.7 I recommend that the new secondary legislation should:

- amend the Town and Country Planning (Development Management Procedure)(England) Order 2015 to include type, size and tenure mix (alongside the current provision for prescription of access, appearance, landscaping, layout and scale) as characteristics that can be prescribed as reserved matters for large sites in areas of high housing demand; and
- require any applicant making an outline planning application for a large site or an application for final permission for a phase of a large site in an area of high housing demand to prepare a diversification strategy, specifying the types of diversity that will be exhibited on that site or in the part of the site to which the application refers.

3.8 I recommend that the new planning policy document should set out the diversification principles that are to apply to all planning decisions relating to such large sites in areas of high housing demand in future. The precise drafting of these principles will of course require considerable thought and detailed consultation with all interested parties. However, as a starting point for such consideration and consultation, I suggest that these principles might be roughly as follows:

- “All large housing sites above 1,500 units must strive to achieve sufficient housing diversity to support the timely build out of the site and high quality development. Housing diversity includes housing of differing type, size and style, design and tenure mix. It also includes housing sold or let to specific groups, such as older people’s housing and student accommodation, and plots sold for custom or self-build.
- “To achieve diversification of the site, the applicant should ensure each phase has regard to diversification requirements. Good design both of housing itself and of streetscape and landscape should be a feature of all new development on large sites. To diversify the site offer, large sites should deliver varying design styles, in accordance with local design codes.
- “As a minimum, each phase should draw housing from each of the following categories:
 - differing tenures: The NPPF requires a minimum 10% housing for affordable home ownership. On large sites in areas of high housing demand (i.e. areas with high ratios of median house prices to median earnings) the expectation should be that the proportion of affordable housing as a whole will be high. Affordable rented housing should be provided alongside affordable home ownership on each phase. Offsite contributions to affordable housing on large sites should not be sought. Build to rent developments should also be considered as part of the tenure diversity of the phase;
 - house type and size: house types and sizes across a phase must contain a meaningful range of types, sizes and styles. It is not acceptable for each phase to deliver only one or two housing types; and
 - housing for specified groups and custom build: these housing types can contribute significantly to housing diversity. Each phase should deliver housing of this type to serve local needs.

- “As part of achieving diversification, the applicant should consider the extent to which it is viable for the applicant themselves to commission and take market risk on differing types of housing within the diversity of the site’s offerings. To the extent that the applicant finds that it is not viable or is not desirable to take such market risk in relation to different types of housing within the site, the applicant should set out the methods by which the relevant parts of the site will be sold to other parties more able to take such market risk.”
- 3.9 I am conscious that the principles set out in paragraph 3.8 involve judgements rather than being simple matters of fact. There will consequently be scope for disagreement about whether a particular applicant has made a genuine effort to provide sufficient diversity to address multiple markets simultaneously and hence to increase the overall absorption rate and build out rate. Accordingly, in order to minimise recourse to appeal or litigation, I recommend that the Government should establish a National Expert Committee.
- 3.10 The primary purpose of this Committee should be to arbitrate on whether any application that causes a disagreement between the local planning authority and the applicant (and consequently comes to appeal) satisfies the diversification requirement, and is therefore likely to cause high build out rates.
- 3.11 The secondary purpose of the Committee would be to offer informal advice to any developer or local planning authority that was considering a large site application. I recommend that the Housing Secretary should guide local planning authorities to consult the National Expert Committee before approving any such large site application in an area of high housing demand.
- 3.12 I envisage that the Committee might be modelled on the Quality Review Panel established by the London Legacy Development Corporation in respect of new development in the Olympic Park – and I would expect to see nominations to this Committee coming from bodies such as the Royal Institute of British Architects (RIBA), the Royal Institution of Chartered Surveyors (RICS), the Royal Town Planning Institute (RTPI), the Chartered Institute of Housing (CIH), the National Housing Federation (NHF), the British Property Federation (BPF), the large house builders, the small house builders (through the Federation of Master Builders (FMB)), the estate agents, the mortgage lenders, the institutional investors in the private rented market, and those involved in custom-build, self-build and specialised housing provision (e.g. for students, keyworkers, and the elderly) as well as representatives of local government.
- 3.13 I provide in Annex B further details on the intended operation, costing and financing of this National Expert Committee, and on the criteria I would expect the Committee to apply when judging diversification strategies proposed by applicants for planning permission on large sites. As indicated in Annex B, I recommend that the Committee should have access to experts with detailed local knowledge in relation to the consideration of specific large sites.
- 3.14 I am conscious also that, even if the new planning framework for large sites is introduced fairly rapidly through a Written Ministerial Statement as well as secondary legislation and changes to planning policy, it will apply only to large sites receiving outline permissions from 2021 onwards – and will not, therefore, have any effect on the dozens of large sites in areas of high housing demand that have or will have received an outline permission before 2021 and that will be in the course of construction for many years after 2021.
- 3.15 In order to maximise the chance of the new framework having a productive effect on these existing sites from 2021 onwards, I recommend that Ministers should seek to provide

incentives for the house builders to accept changes to their existing site plans. I believe that this can be done through Ministers introducing – as part of the forthcoming public spending review – conditions to any government funding available either to house builders or to potential purchasers on large sites, which would make the receipt of such funding dependent upon the site being developed in conformity with the new planning policy and new secondary legislation for large sites. This would involve builders on large sites signing new Section 106 agreements under which, in return for continued receipt of government funding for themselves or their purchasers, they would undertake to develop the remainder of the site in accordance with the new diversity rules. In some cases, this might require local authorities also to change the final permissions given for later phases of site development; in other cases, it might require the grant of new outline permission.

- 3.16 I am aware that there may, in some exceptional circumstances, be existing large sites which will not be viable under the new arrangements that I am recommending. This could occur if they either fail to benefit from the existing suite of government funding as a result of the conditionality that I have suggested in paragraph 3.15, or if they accept requirements for diversification in a new Section 106 agreement that conforms with the new planning policy. For example, the viability of a particular large site might already be in question due to heavy infrastructure or remediation costs unanticipated at the time when the original outline permission was granted and when land purchase values were set. To guard against any interruption of development on such sites (which would obviously be counterproductive from the point of view of the overall rate of house building), I recommend that Ministers should also consider (as part of the spending review) allocating a fraction of whatever would otherwise be the total funding made available by government in support of house building to a new large sites viability fund administered by Homes England.
- 3.17 Naturally, if and when large builders in possession of large sites had accepted a Section 106 agreement for a particular site in return for continued eligibility to receive government funding in relation to that site, the new Section 106 agreement – including the diversity requirements contained in it – would be binding and enforceable. I have taken legal advice on whether any legal issues are likely to arise in relation to this process, and I am, as a result, confident that the voluntary transaction that I am proposing will prove to be lawful.

4 Increasing diversity: a new development structure for large sites in the future

- 4.1 The new planning rules that I have recommended in section 3 are intended to apply to the granting of new outline permissions for all sites of over 1,500 units in areas of high housing demand, regardless of where in the country they lie and regardless of whether they have or have not yet been allocated in a particular local authority's local plan. In all such sites, increased diversity can – for the reasons set out in my analytical report – help to increase the speed of build out. Planning rules that encourage diversity will accordingly also encourage more rapid development.
- 4.2 However, in relation to large sites that have yet to be allocated within a local authority's local plan, I believe that it is possible and desirable to go one step further. I recommend that the Government should, as part of the new primary legislation, introduce a power for local planning authorities to designate particular sites within their local plans as sites which can be developed only as single large sites and which therefore automatically become

subject to the new planning rules for large sites³. In addition, I believe that the local planning authority should be empowered to specify, at the time of designation, strong master-planning requirements including a strict design code as well as landscaping and full and specific infrastructure requirements.

- 4.3 I recognise, of course, that designation at the time of allocation of such sites as being land that can be developed only under the new large site rules (and hence new master plans and design codes) will mean that the land value of those sites is not raised as far above the alternative use value as would be the case if a site were allocated in a local plan and subsequently obtained outline permission under our current rules. (Above all, the requirement for a high level of affordable housing within the diversified portfolio will tend to ensure that land values on these sites are significantly lower than they would be if these sites were given outline permission without such high requirement for affordable housing.)
- 4.4 To ensure that a reasonable balance is struck between promoting the public interest through increased diversity and faster build out rates on the one hand, and proper recognition of the value of the land on the other hand, I recommend that the Housing Secretary (when issuing updated viability guidance alongside the new planning framework) should guide local planning authorities towards insisting on levels of diversity that will tend to cap residual land values for these large sites at around ten times their existing use value. In the case of agricultural land, for example, this might result in values of around £100,000 per acre – perhaps as little as 5% of the current residual development value of a straightforward site with unconstrained development permission and no major infrastructure requirements in an area of high housing demand.
- 4.5 I believe that these steps will increase the power of local planning authorities to ensure that large sites within their areas are properly diversified, and will therefore tend to increase rates of development on those sites. Moreover, I believe that there would be scope for Homes England to provide substantial support for those local authorities which have allocated large sites (of over 1,500 homes). This could involve Homes England providing both funding and expertise that enables the local authority to build the capacity required for the establishment of suitable master plans, design codes and Section 106 agreements. This, in turn, would maximise the chances of such sites being developed in the spirit of diversification, fine design and commensurately rapid build out. However, planning rules are by their nature passive and reactive. They can prevent things from happening (if they are properly enforced); but they can only do a very limited amount to encourage applicants to follow the spirit of the rules and hence to achieve fully the outcomes the rules have been created to achieve. A system for large sites which depends exclusively on new planning rules (even when reinforced by new rules on designation and allocation and by the building of new capacity in relevant local authorities through support from Homes England) is therefore unlikely to provide the full extent of the diversity (and hence the full gain in build out rates) that we seek. The developers of the sites in question will still have significant commercial incentives to optimise their own profits by “arguing down” the level of diversity at one stage or another of the planning and development process.
- 4.6 To enable local authorities to move beyond the use of planning rules and to play a more active role in ensuring the diverse and rapid development of large sites that have yet to be allocated in areas of high housing demand, I recommend that the new primary legislation should also give local authorities explicit statutory powers to draw on precedents in England and on

³ The purpose of designating sites in this way will be to ensure that landowners cannot reduce the planning applications for such sites to just below 1,500 units and thereby avoid having to comply with the diversity requirements in the new planning rules for large sites.

models of development which are entirely familiar in much of continental Europe.

- 4.7 It is a feature of Mayoral Development Corporations (MDCs), New Town Development Corporations (NTDCs) and Urban Development Corporations (UDCs) that these bodies can develop major new brownfield and greenfield sites in ways calculated to produce liveable new towns and city neighbourhoods that benefit from a wide diversity of housing to match the particular circumstances of local markets.
- 4.8 These bodies are able to buy land on the basis of the value which such land would have in the absence of the development scheme. They are fully staffed and have the resources to commission proper masterplans that respond appropriately to the characteristics of the site and can be accompanied by detailed and enforceable design codes; in this way they can make the architecture of the site and the landscape and infrastructure of the site internally consistent, congenial and convenient for the inhabitants. Finally, they have the capacity to raise finance, to invest in appropriate infrastructure (including major infrastructure) and thereby to provide well-prepared terrain (or even serviced plots) which major builders, small and medium-sized builders, private rental institutional investors, housing associations, providers of student accommodation, providers of accommodation for the elderly, custom-builders, and self-builders can all use to enter the housing market on the site.
- 4.9 Accordingly, MDCs, NTDCs and UDCs constitute suitable vehicles for demonstrating the benefits that properly planned and coordinated diversity on large sites can bring in terms of accelerated build out rates. I recommend that the Government, working with Homes England, should encourage the creation of further MDCs, NTDCs and UDCs, and should in future use the considerable leverage that Homes England has over these bodies to ensure that all such development corporations not only comply with the new planning rules that I have recommended in section 3 but also go beyond this to create, proactively, models of well-planned diversity on the large sites that they own and control. At the same time, I recommend that Homes England should itself go beyond mere compliance with the new planning laws and proactively create models of well-planned diversity on the large public sector sites that it is developing on behalf of the taxpayer.
- 4.10 However, unlike their counterparts in most continental European countries, non-mayoral local authorities in England do not (without obtaining special permission from the Housing Secretary) currently have statutory vehicles capable of governing the development of large sites in areas of high housing demand. Clearly, if we are to see in future the greatest possible well-planned diversity on these sites, it would make abundant sense to empower local authorities to establish a new form of development vehicle which could perform this role in England as their counterparts so often do elsewhere in Europe.
- 4.11 I therefore recommend that, in addition to the changes in planning rules identified in section 3, and in addition to the allocation rules suggested in section 4.2-4.4, one further amendment to primary legislation should make it possible in future for a local planning authority (or a group of local planning authorities) in an area of high housing demand to establish a new form of development vehicle to develop the site through a masterplan and design code which increases the diversity and attractiveness of the offerings on site and hence its build out rate.
- 4.12 I can envisage two possible structures for such a development vehicle:
- a. the local authority could use a Local Development Company (LDC) to carry out this development role by establishing a master plan and design code for the site, and then bringing in private capital through a non-recourse special purpose vehicle to pay for the

land and to invest in the infrastructure, before “parcelling up” the site and selling individual parcels to particular types of builders/providers offering housing of different types and different tenures; or

- b. the local authority could establish a Local Authority Master Planner (LAMP) to develop a master plan and full design code for the site, and then enable a privately financed Infrastructure Development Company (IDC) to purchase the land from the local authority, develop the infrastructure of the site, and promote a variety of housing similar to that provided by the LDC model described above.

I provide a more detailed description of both of these structures in Annex C.

- 4.13 Under either of these variants, the development vehicle will of course be subject to the jurisdiction of the local planning authority (or authorities) in relation to all planning matters. I recommend that, in areas of the country where there are both primary and secondary authorities, local planning authorities seeking to establish LDCs or LAMPs should be strongly encouraged by MHCLG to involve both levels of local government in order to ensure that critical public interests in relation to large sites (such as the provision of transport infrastructure, schools and health and social care) are built in to the master planning of such sites from the beginning.
- 4.14 I recommend that, under either structure, the LDC or LAMP should be enabled to apply for a small amount of seed funding to enable it to hire dedicated and qualified staff. I believe that the relatively small amount of funding required to cover the costs for the master planning of diversified large sites can conveniently be top-sliced out of the existing MHCLG Land Assembly Fund (following a change in the Government’s remit for this fund). Amounts disbursed to successful LDCs or LAMPs would be repaid once development finance had been raised for the site in question so that only one initial injection from the Land Assembly Fund would be required. I recommend that applications to the fund should be judged and disbursements from the fund should be made by Homes England.
- 4.15 I note that Homes England is establishing a new team that would be well suited to providing advice to LDCs or LAMPs as they begin their work; this is an immensely welcome development. Further support from Homes England can take a range of forms including capacity building, brokering relationships, help with hiring the management of the LDC or LAMP, provision of technical expertise on planning, master planning, land assembly, infrastructure, viability and commercial arrangements including procurement frameworks. In some cases, Homes England might also be able to provide access for the LDC or IDC to the various funds it administers in relation to housing. I note, also, that RIBA has provided a powerful illustration of the way in which such LDCs or LAMPs can ensure rapid development while creating beautiful and ecologically sustainable places; I strongly welcome the fact that their report is being published simultaneously with my own report.
- 4.16 As with MDCs, NTDCs and UDCs, I believe that local authorities using either of these vehicles should – through the primary legislation – obtain clear Compulsory Purchase Order (CPO) powers over large sites that they have designated in the way described in section 4.2. I believe that it would also make sense to consider the possibility of giving local authorities such CPO powers in relation to large sites that have been allocated in their local plan in the past but which have not obtained outline permission after a long period has elapsed. I have received representations suggesting that this could be a good way of unlocking such sites – as well as providing a way to ensure that they are developed in a diverse, rapid and well-designed manner.

- 4.17 Because the residual open market value for land with development permission subject to the stringent large site diversity planning rules will be significantly lower than present values for land with development permission that does not contain such stringent diversity requirements, the full difference between this residual land value and the unconstrained gross development value of the land will be available to contribute towards the cost of infrastructure, the cost of affordable housing and the opportunity cost associated with other forms of diversification.
- 4.18 The LDC or LAMP may well wish, as part of its master plan, to require the establishment of a community land trust to provide and manage some or all of the shared ownership properties and affordable rented properties on the site in a way that keeps properties with these tenures available in perpetuity – for example through provisions ensuring that owners of shared ownership properties would sell to the community land trust whatever proportion of the freehold they held when leaving the property at its then open-market price so that the property could then be resold by the community land trust on a shared ownership basis to the next occupier. Such mechanisms might also be used to protect particular parts of the landscape within the site.
- 4.19 In determining the proportion of the site to be sold to differing types of housing provider under the master plan, the LDC or LAMP will need to be guided by the characteristics and absorption rates of the various markets in its local area. The overall aim of the LDC or LAMP will be to foster the building of the greatest possible number of new homes at the fastest possible rate consistent with financial viability and fulfilment of its master plan and design code, as well as with the fostering of a successful community. The LDC or LAMP will therefore wish the master plan to provide as much land for open market sale and private rented use as those particular markets can absorb in any given period; and it will also need to assess the local demand for other forms of housing (such as custom-build, self-build, student accommodation, keyworker accommodation and various forms of accommodation for the elderly). It will, in addition, need to come to a view about the maximum proportion of the site that can be sold or given to housing associations and / or to community land trusts in order to provide as much affordable accommodation on the site as is consistent with the viability of private financing for development of the site infrastructure. In other words, the LDC or LAMP will become a vehicle for assessing and seeking to meet market demand in the particular locality across a wide range of types and tenures.

Annex A: Size threshold

The number of large sites in England

I have investigated the number of sites over different size thresholds.

England (excluding London)

The best available evidence from a national study of large sites suggests that there are 92 sites in England (excluding London) that have an outline planning permission at present for more than 1,500 homes.

The following table breaks these down by site size:

Lower limit	Upper limit	Site count
1,500	2,999	50
3,000	4,999	27
5,000	7,499	9
7,500	9,999	3
10,000+		3

These sites have an average (mean) size of 3,327 units and a median size of 2,500. In total, these 92 sites cover 306,084 units.

London

5 sites in London of over 1,500 units were used as case studies in the Draft Analysis. The Molior database used in the Draft Analysis shows a further 10 sites of above 1,500 units with permission building out in London as of May 2018.

This suggests a total of 15 sites currently developing above the 1,500 unit threshold in London. In total, these sites account for around 87,000 units.

Conclusion

We can as a result estimate that there are approximately 107 sites of above 1,500 units in England with permission for approximately 393,000 units.

A threshold of 1,500 units for large sites accordingly seems sensible as a way of ensuring that the changes have a noticeable effect on building rates as a whole, while also ensuring that the National Expert Committee is not overwhelmed in the early years of its work. The sample in my Draft Analysis suggests the current average build out rate is equivalent to at least 15.5 years. If there are 107 sites, this implies that approximately 7 such sites are brought forward each year, accounting for approximately 25,000 units on these sites. Even if build out rates doubled from the current rate suggested by the sample in my Draft Analysis, this implies that around 14 sites above the threshold would be brought forward each year.

Annex B: Operation of National Expert Committee

This Annex sets out in greater detail how I envisage the National Expert Committee (referenced in paragraph 3.9 of my Final Report) to work in practice.

In my Report, I propose that the Committee should provide impartial and independent expert advice on the diversification proposals for new residential development as part of the appeals process. I recommend, in particular, that the expertise of the Committee should be sought in situations where that right of appeal has been exercised as a result of a disagreement between the applicant and the local planning authority about whether the diversity proposed as part of the site master plan will facilitate the maximum rate of build out consistent with the viability, beauty and liveability of the development. In the event of such an appeal, the Planning Inspectorate (PINS) should be expected to use the views of the Committee to help inform its decision, and this should be reflected within the Inspector's Report.

Structure

- a. I recommend that the new body should be established as an Expert Committee – a non-statutory body of independent specialists, which would be administered and resourced by MHCLG and would be a non-classified government entity; Ministers would make appointments to the Committee. There are a number of benefits to this structure:
- b. the Expert Committee will not require a new statutory framework under which to operate. This is proportionate to the frequency with which I anticipate this Committee will meet (c. 5 times a year);
- c. the Expert Committee and its advice will be transparent. It will be established with clear terms of reference and a framework which will protect its independence, set out the length of terms for panellists and put in place robust reporting arrangements. The panellists will be supported by a secretariat. The chair of the Committee will be responsible for reporting to Ministers and to the Department's executive team;
- d. the Expert Committee will fit within the existing appeals process. The Expert Committee will not have the authority to make decisions; instead its advice will inform the decision of Ministers – in this case the Housing Secretary as the ultimate authority on planning appeals. I propose that PINS, acting on behalf of the Housing Secretary, should be required to consult the Expert Committee on receipt of an appeal where an applicant and local planning authority disagree on the extent of the diversity proposed for an application; and
- e. Ministers will appoint the core group of panellists as standing members, acting on nominations from bodies such as RIBA, RICS, RTPI, CIH, the NHF, the BPF, the large house builders, the small house builders (through the FMB), the estate agents, the mortgage lenders, the institutional investors in the private rented market, and those involved in custom-build, self-build and specialised housing provision (eg for students, keyworkers, and the elderly), as well as representatives of local government. The Expert Committee may, in addition, draw on ad-hoc members to provide additional insight – in particular, it may draw on local expertise, such as that of an estate agent or planning consultancy.

Fees

Given the frequency with which the Committee would meet, I would expect the panellists to be willing to provide their expertise on a voluntary basis, as many of those involved with design review panels currently do.

Financing

The administrative costs of the Committee would be financed from within the Department's budget. This would include a small amount of reimbursement of travel and subsistence costs for Committee members, and a small secretariat function (1-2 FTE), which can likely be absorbed within existing Departmental capacity.

Criteria

In terms of assessing diversification, I envisage that the Committee will consider the impact that different tenures, housing types and sizes, designs, and specialised housing can have on the build out rates of a large site in a particular locality by catering to the specific market demands of that area.

The Committee should consider three questions:

- a. will the masterplan's diversification strategy lead to building homes of suitably varied tenure, type, size, design and specialisation?
- b. do the diversified homes address the different local housing demands?
- c. if correctly implemented, will the diversified plan and the accompanying master plan and design code cause the rate of build out to be as great as possible, consistently with the viability, beauty and liveability of the development?

Annex C: Alternative development structures for large sites

I recommend in sections 3 and 4 of this report that all sites over a certain size threshold (1,500 units) should be subject to a new planning regime which ensures far greater diversity than we typically see on such sites at present.

Some local authorities may wish simply to apply the new planning regime for large sites without taking any further proactive steps to control the development of such sites. (In such cases, I strongly recommend that local authorities should be compelled by the new planning regime to develop and promulgate a full master plan and design code for each such large site before granting outline planning permission, and to ensure that the master plan is consistent with the principles of the new planning regime.)

However, for reasons outlined in section 4 of this report, I believe it would be wise also to give local authorities clear statutory powers to go beyond this and to play a more active role in the control of such large sites.

As described in paragraph 4.12, I envisage that such a role could be played through either of two structures:

- a. the local authority could use a Local Development Company (LDC) to carry out this development role by establishing a master plan and design code for the site, and then bringing in private capital through a non-recourse special purpose vehicle to pay for the land and to invest in the infrastructure, before “parcelling up” the site and selling individual parcels to particular types of builders/providers offering housing of different types and different tenures; or
- b. the local authority could establish a Local Authority Master Planner (LAMP) to develop a master plan and full design code for the site, and then enable a privately financed Infrastructure Development Company (IDC) to purchase the land from the local authority, develop the infrastructure of the site, and promote a variety of housing similar to that provided by the LDC model described above.

If a local planning authority opts for the LDC model (model A), I envisage that the process would be as follows:

1. A local authority designates an area within its local plan as suitable only for development as a large site. Hence, the new planning regime for large site diversity applies to it, and the open market residual value of the land within it is reduced accordingly.
2. The local authority establishes a LDC, whose first task is to develop a master plan and full design code for the site.
3. The LDC applies for planning permission for the designated site, under the large site diversity planning regime, using its master plan and design code as the basis for the application.
4. The local authority either agrees voluntarily with the landowner(s) of the site to purchase the designated land at its (reduced) open market residual value or decides to exercise CPO powers to purchase at this value.
5. The LDC establishes a competitive process in which private sector providers of debt, mezzanine and equity bid to provide finance for purchase of the land from the local

authority and for investment in the site infrastructure required under the master plan and design code. Under the new primary legislation, such finance would need to be provided through a non-recourse special purpose vehicle: in other words, the providers of debt and equity would be taking the full financial risk associated with investment of the land purchase and in the development of the infrastructure, and would have no recourse whatsoever to taxpayer support of any kind in the event that the special purpose vehicle becomes insolvent, whether due to changes in market circumstances or otherwise. Manifestly, the pricing of the investment in terms of the expected return will reflect this absence of recourse to taxpayer support.

6. The structure of the competition is that the winning bidder is the bidder willing to accept the lowest cost of capital (i.e. lowest profit margin) on the amounts invested in the non-recourse special purpose vehicle.
7. The LDC covenants to pay the investors – through the special purpose vehicle – all amounts raised from sale of parcels of land on the site up to the point at which the investors have received the return on capital specified in their winning bid. In addition, the local development company covenants to pay the investors a share of amounts above this level (to give the private financiers of the special purpose vehicle an incentive to develop the infrastructure in a financially efficient manner subject to the constraints imposed by the master plan). Any surplus revenue remaining in the local development company after the investors have been remunerated may be used by the local development company either for improvement or maintenance of the site itself or for other community purposes as directed by the local authority.
8. The closing of (a) the land-purchase by the local authority from the original land owner(s) and (b) the back-to-back purchase of the land from the local authority by the local development company through its privately financed non-recourse special purpose vehicle is simultaneous, to avoid any financial exposure for the local authority. At the simultaneous closing, the contractual covenant in 7 above is also simultaneously executed.

The local development company continues in existence for the duration of the development of the site, to monitor both fulfilment by the special purpose vehicle and its contractors of the infrastructural requirements of the design code and master plan, and fulfilment by the builders/providers of particular plots of the plot-specific elements of the design code and master plan.

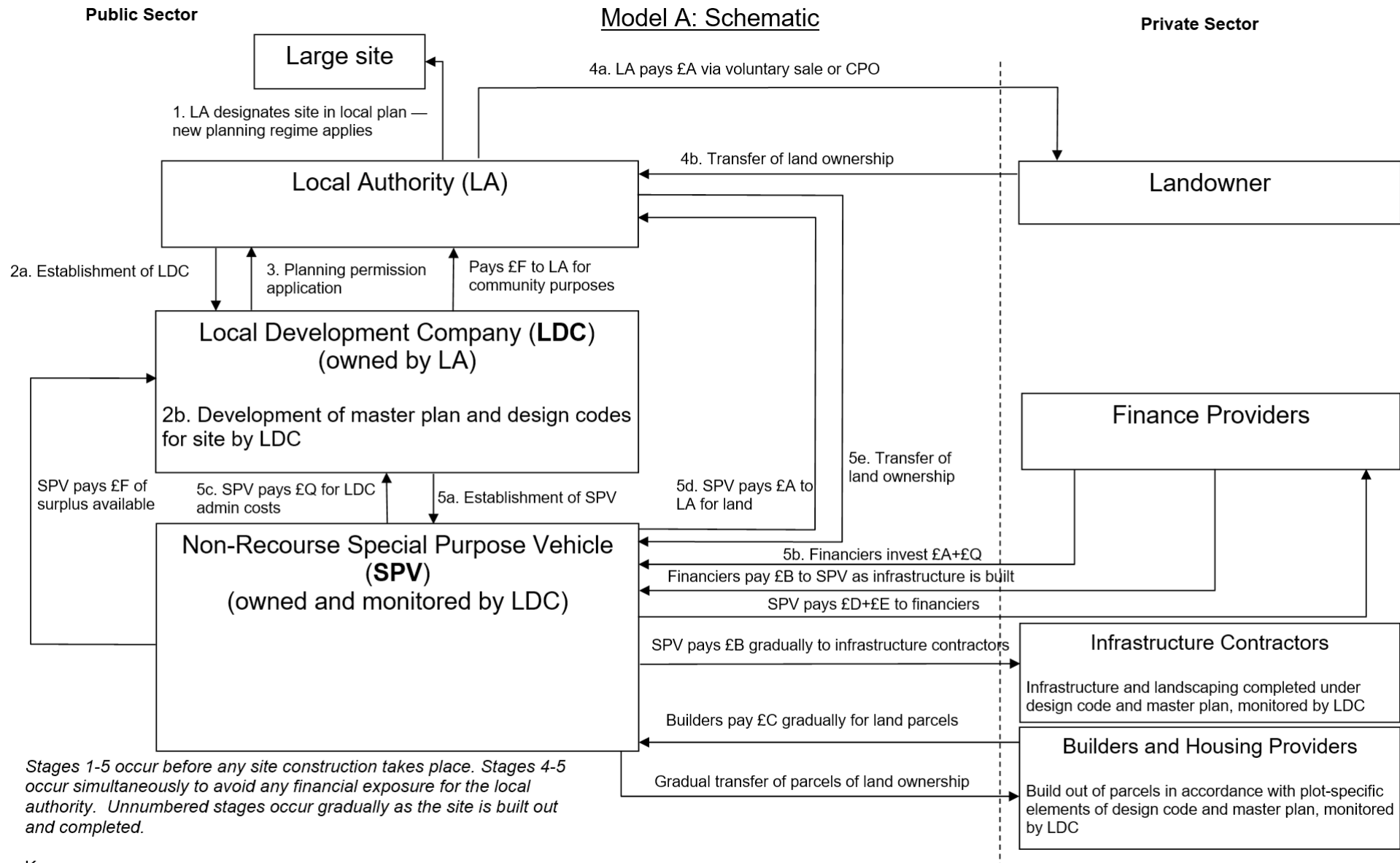
If a local authority opts for the LAMP/IDC model (model B), I envisage that process would be as follows:

1. A local authority designates an area within its local plan as suitable only for development as a large site. Hence, the new planning regime for large site diversity applies to it, and the open market residual value of the land within it is reduced accordingly.
2. The local authority establishes a Local Authority Master Planner (a LAMP) to develop a master plan and full design code for the site.
3. The LAMP applies for planning permission for the designated site, under the large site diversity planning regime, using its master plan and design code as the basis for the application.
4. The local authority either agrees voluntarily with the landowner(s) of the site to purchase the designated land at its (reduced) open market residual value or decides to exercise CPO powers to purchase at this value.

5. The local authority establishes a competitive process in which wholly privately financed Infrastructure Development Companies are eligible to bid to buy the land from the local authority. The structure of the competition is that the initial purchase price for the land is pre-determined to be the price set in step (4) above plus a stipulated amount representing the local authority's costs in establishing and running the LAMP. The winning bidder is the bidder whose Infrastructure Development Company is willing to accept the lowest capped cost of capital (i.e. lowest profit margin) on the amounts invested in purchasing the site and developing the infrastructure of the site. All bidders must agree (as a contractual covenant) to:
 - a. develop the infrastructure of the site in a way that fully implements the LAMP master-plan in full, and to extract only the capped cost of capital for such infrastructure specified in the winning bid;
 - b. sell plots of land within the site to types of builder/owner specified in the master plan; and
 - c. in each such sale of each such plot, covenant with the acquiring builder/owner to build out that plot in accordance with the requirements of the master plan and of the design code.
6. The winning bidder also covenants to pay the local authority a set proportion of any net revenue that remains following (a) completion of the work on the infrastructure of the site, (b) sale of the plots on the site to the builders/owners, and (c) extraction of the capped cost of capital. (This is to ensure that the local authority and the local community benefit from any surplus value in the land that arises from market circumstances during the development of the site, while also giving the private financiers of the Infrastructure Development Company an incentive to develop the infrastructure in a financially efficient manner subject to the constraints imposed by the master plan.)
7. The closing of (a) the land-purchase by the local authority from the original land owner(s) and (b) the back-to-back purchase of the land from the local authority by the Infrastructure Development Company is simultaneous, to avoid any financial exposure for the local authority. At the simultaneous closing, the contractual covenant in (5) and (6) above is also simultaneously executed. Thereafter, the contractual covenant remains attached to the land, and is therefore inherited as an obligation by anybody that purchases either the Infrastructure Development Company or the land that it holds.
8. The LAMP continues in existence for the duration of the development of the site, to monitor both fulfilment by the IDC of the infrastructural requirements of the design code and master plan, and fulfilment by the builders/providers of particular plots of the plot-specific elements of the design code and master plan.

I am advised by HMT Classification experts that, principally due to the level of control exercised by the local authority in the public interest in either of these models, the development bodies concerned (i.e. in model A, the Local Development Company, or, in model B, the Infrastructure Development Company) will or may be classified as public sector entities and hence be on public sector balance sheets. Whilst it will obviously be for Ministers to decide whether this constitutes an obstacle, I do not myself regard this as in any way material, since – in both models – the entire financial risk of the infrastructure development will be taken by private financiers without any recourse whatsoever for the taxpayer under any circumstances whatsoever, and the entire financial risk associated with the building of all the housing will be taken by the private sector

builders and by the other housing providers on the site, also without any recourse whatsoever to the taxpayer under any circumstances whatsoever. Neither model need or should involve any form of implicit or explicit guarantee or letter of comfort which will in any way diminish the absolute liability of the private finance vehicles, regardless of market circumstance – and it is my proposal that private finance, under either model, should be raised (and should be permitted by the statutory framework to be raised) only on the basis of such explicit lack of recourse under any circumstances to taxpayer support of any kind.



Key:

£A: Price of land at open market residual value under new planning regime.

£Q: Administrative costs of LDC.

£B: Cost of adding infrastructure to site.

£C: Revenue from sale of land parcels.

£D: £A + £B + £Q + interest/profit margin specified in private investor bids.

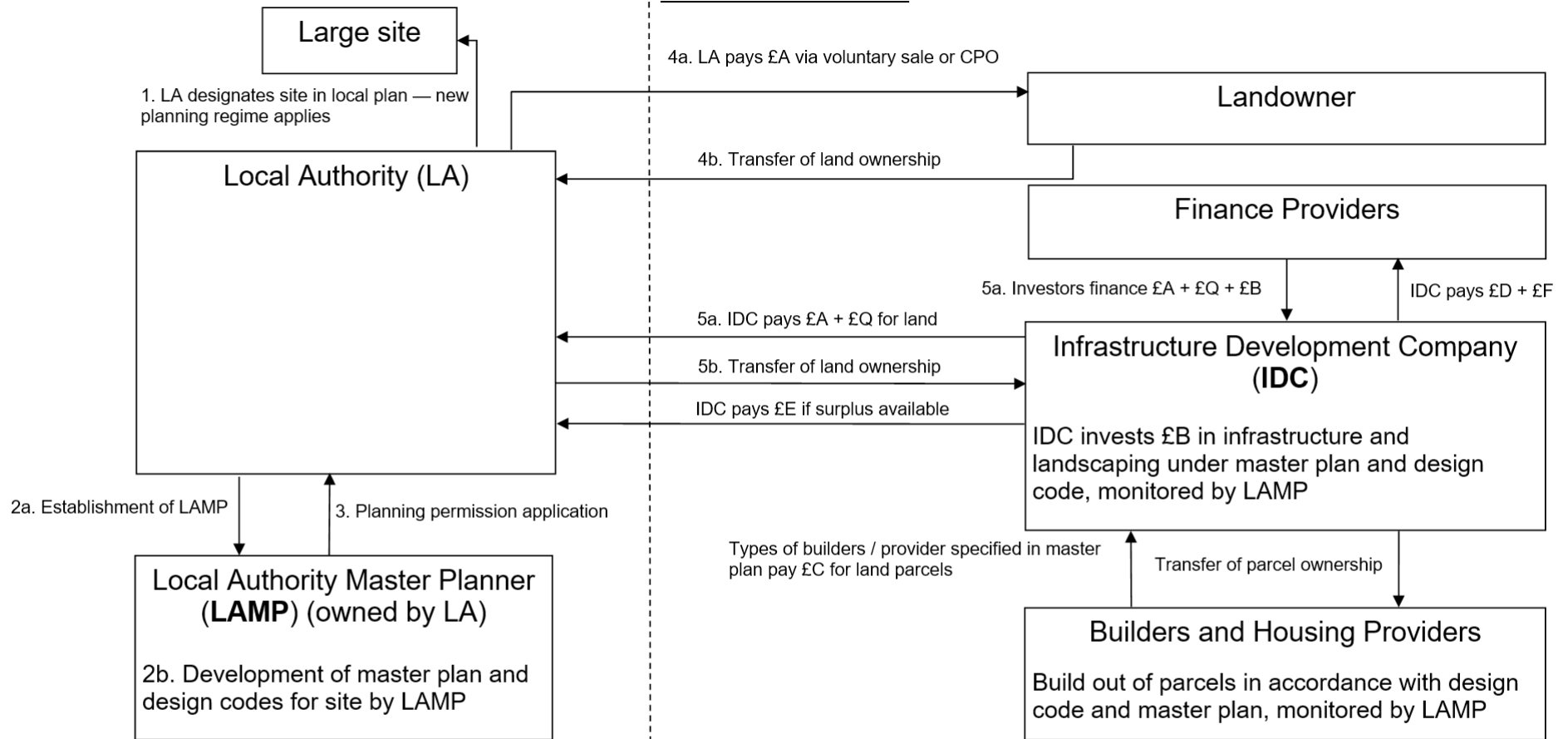
£E: Investor share of any additional surplus revenue available [i.e. investor share of (£C-£D)].

£F: Remaining public sector share of any additional surplus revenue [i.e. public sector share of (£C-£D)].

Public Sector

Model B: Schematic

Private Sector



Stages 1-5 occur before any construction starts. Stages 4 and 5 occur simultaneously to avoid any financial exposure for the local authority. Remaining stages occur gradually as site is built out.

Key:

£A: Price of land at open market residual value.
 £Q: Administrative cost of running LAMP.
 £B: Cost of adding infrastructure to site.
 £C: Revenue from sale of land parcels.

£D: £A + £Q + £B + interest/profit margin specified in private investor bids.
 £E: Public sector share of any additional surplus revenue available [i.e. Public sector share of (£C-£D)].
 £F: Investor share of any additional surplus revenue available. [i.e. Investor share of (£C-£D)].

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