

Subject: Review of Unbuilt Housing Permissions and Allocations and the need to prepare a Housing Action Plan

Report to: Housing and Neighbourhoods Committee, 14 March 2019

Report by: Head of Planning and Growth

#### **SUBJECT MATTER/RECOMMENDATIONS**

There is a growing gap between housing permissions and housing completions in Great Yarmouth borough, and targets for housing completions have not been met for some years, leading to a situation where there is not currently the required minimum five-year supply of housing land.

Whilst much of relevance to the strength of the housing market is outside the direct control of the Council (the wider economic situation, for example), the Council has already been doing a large number of activities (both itself and with partners) and will do further measures to try to improve the situation. The publication of the first national Housing Delivery Test figures in February 2019 confirmed that – with delivery below 95% over the three-year period – the Council will need to publish a Housing “Action Plan”, setting out the nature of the problem and proposals to mitigate the situation, and has six months to do so.

Housing & Neighbourhoods Committee is recommended to:

- i) Acknowledge that the Council is required to prepare a Housing “Action Plan” to set out the reasons why housing delivery has been below target;
- ii) Note the steps required to prepare the Action Plan, and comment on the potential content, process and timescale of the Action Plan.

## **1. INTRODUCTION**

1.1 The delivery of new housing across England as a whole has always varied over time, and will continue to do so in a market economy. This reflects, in the main, macro-economic factors such as the state of the global and UK economy, interest and taxation rates, and the health and competition of the housebuilding industry. **Appendix A** sets out the history in more detail, but the graph below shows how this has changed. The main element that stands out is the significant overall decline in completions from the late 1960s to more recent years, with the relative lack of

housebuilding by local authorities since the early 1980s not effectively “replaced” by the private sector and housing associations:

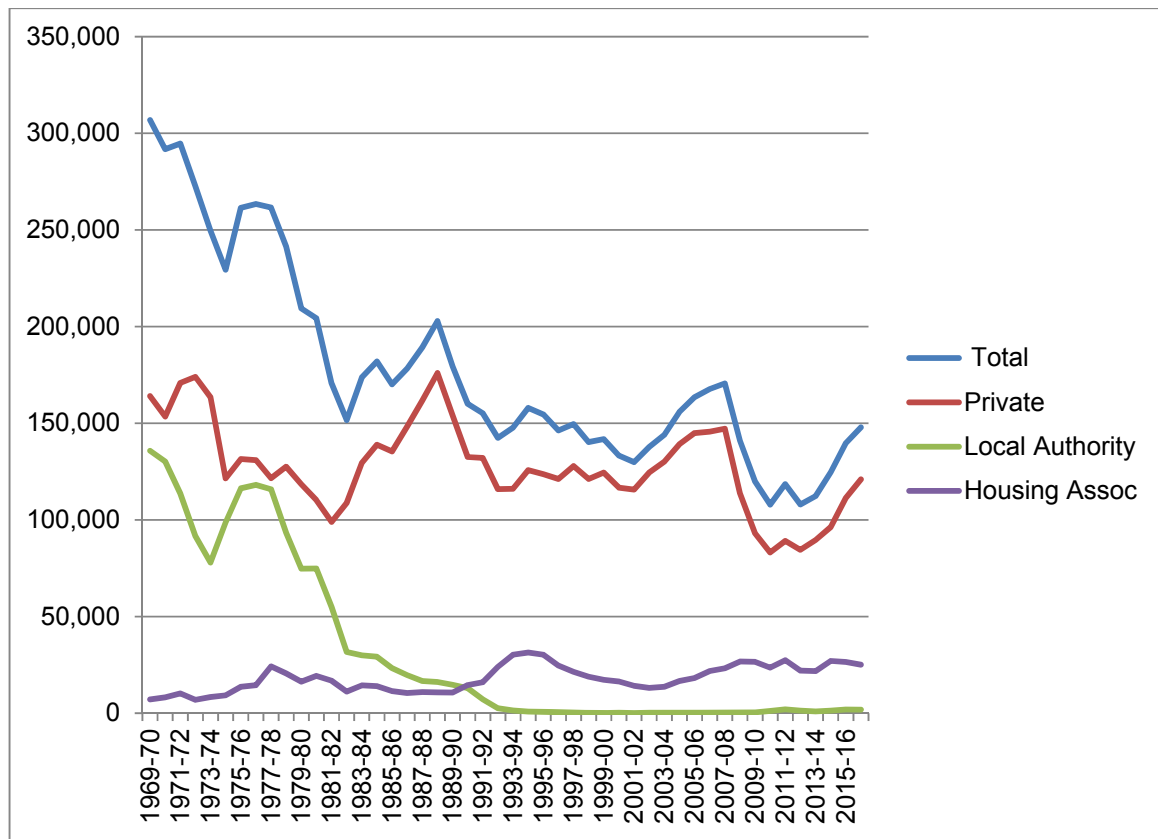


Figure 1: Housing completions (England) by sector

1.2 In any housing market, there will always be a gap between the number of houses with permission, and those being delivered – the industry needs a stock of sites to develop over time, or it could “run out” and have materials and labour it is unable to apply. In addition, a large site may secure consent for 750 dwellings at a single point in time, but delivery on the site could easily take 10 or more years to complete.

1.3 In more recent years, the relative lack of housing completions compared to the stock of available consents and allocations has garnered national attention, and is a source of frustration for local authorities and the Government. This has occurred in Great Yarmouth borough, as in many other areas, and this paper explores the issue, and potential assistance mechanisms.

## **2. CURRENT AND HISTORIC GREAT YARMOUTH BOROUGH SITUATION**

2.1 Housing delivery in Great Yarmouth borough has, like everywhere else in the country, fluctuated over time. The Council's most recently published [Five-Year Housing Land Supply Position Statement](#) covers the period to the end of 2017/18. The graph in paragraph 2.12 of that document shows the completions for every year from 2001/2-2016/17. In that period, the peak completion rate of 376 was achieved in 2009/10, with a low of 150 dwellings completed in both 2002/3 and 2013/14.

2.2 Apart from the period 2004/5-2009/10, delivery has been below the required level, significantly so in more recent years. The Council's published housing land supply figure first fell below 5 years at the end of 2016/17, at 4.13 years. The current housing needs figures, as set out in Table 6 of the [adopted Core Strategy](#), average 420 dwellings per year, although this figure is in the process of changing to the new national standard approach through the emerging Part 2 Local Plan (see paragraph 4.2 below).

2.3 The 2017/18 *Five-Year Housing Land Supply Statement* detailed the net 208 completions recorded in 2017/18, and with changes to the definition of what constitutes a "deliverable" housing site in the updated National Planning Policy Framework (NPPF), the housing land supply position worsened to just 2.6 years at the end of 2017/18.

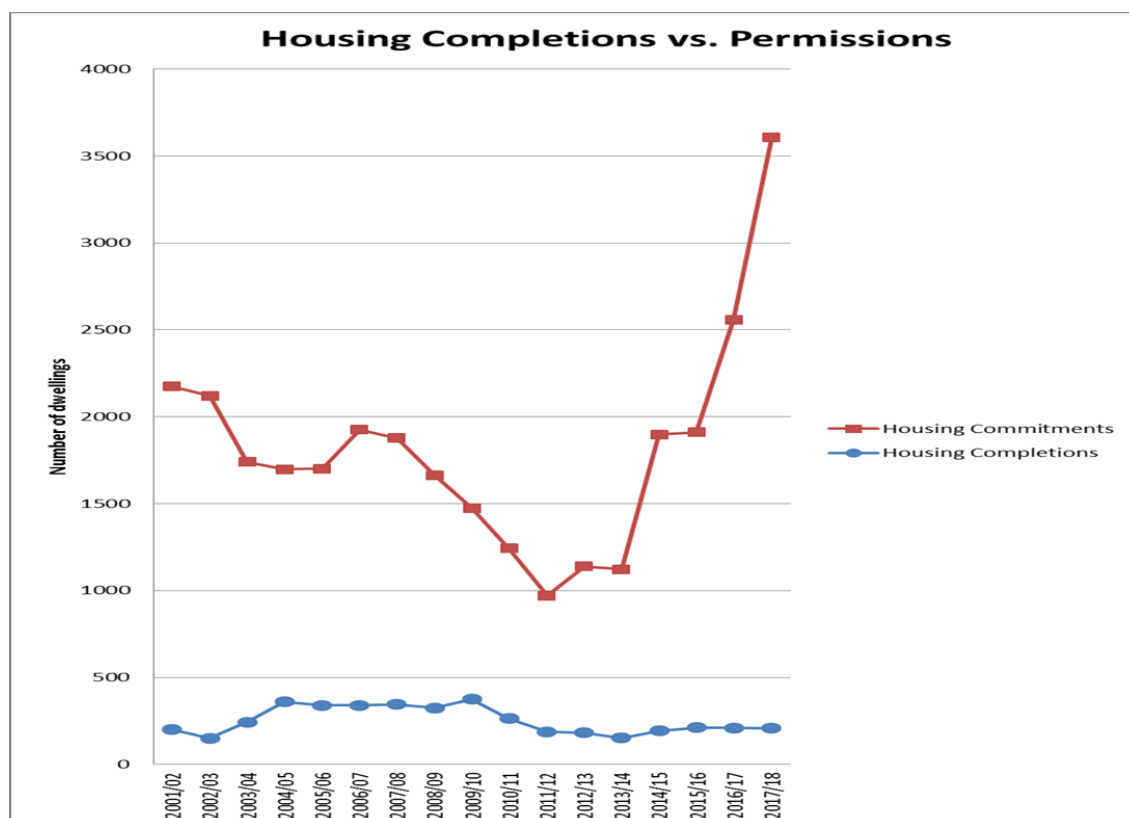
2.4 The national housing market is distinctly different now compared to the mid-2000s, with consolidation of a number of major national housebuilders and the loss of thousands of SME developers. "Caution" is the watchword for many developers and their financiers in terms of taking on new business, but overall levels of private sector completions have climbed in recent years, and are currently above the 50-year average.

### **Great Yarmouth borough housing market**

2.5 The most recently-produced (2013) [Strategic Housing Market Assessment](#) concludes that the borough is largely self-contained as a housing market. There are obviously commuters working in the borough from the surrounding areas and vice versa (particularly Waveney), but the degree of self-containment is currently sufficient to justify a borough-wide housing market. By comparison, more recent work has disclosed that a Central Norfolk strategic housing market area exists, covering Broadland, Breckland, North Norfolk, Norwich and South Norfolk districts.

2.6 Whilst housebuilders and developers do not work to strategic housing market area boundaries, this relative self-containment does mean that the borough is perhaps not regarded as a significant commuter source by many. In other words, the borough (and town of Great Yarmouth in particular) is not especially targeted by housebuilders for (say) commuters to Norwich currently.

2.7 One of the most striking features of the local housing market has been the recent steep increase in housing commitments (broadly, sites with planning permission or allocated in the Local Plan for housing). The Council (and landowners/developers) has responded to the criticism of the Government of poor levels of housing delivery by significantly increasing the supply of potential new homes. However, as the graph below shows, this increase has not been matched by a significant upturn in housing completions. Whilst a degree of lag is to be expected (sites with outline planning permission cannot be constructed until a reserved matters application has been submitted and approved, with pre-commencement conditions discharged), and is not unique to Great Yarmouth (or elsewhere in Norfolk), this is still disappointing. Private sector caution certainly explains some of this, but the relative lack of “public” sector housebuilding also contributes.



2.8 Persimmon is the only national developer particularly active, with little or no current presence of (for example) Taylor Wimpey, Redrow, Barratt David Wilson, Crest Nicholson, Bellway or Bovis. The situation is only a little better at the medium-scale, with only Norfolk Homes, Hopkins Homes and Badger Building particularly active. There are a higher number of smaller builders operating in the borough, with their cumulative delivery rate accounting for little under half of the total completed units during 2017/18 (98 units).

2.9 Some of the national housebuilders – such as Crest Nicholson – do not operate in Norfolk at all, but most of other others do operate elsewhere in the county. Similarly, there are some other medium-scale developers that operate in Norfolk but not within Great Yarmouth borough.

2.10 With the exception of housing delivered on its own land (through the Council's own housing company Equinox), the actual delivery of houses is largely outside the Council's direct control. The Council permits applications and discharges planning conditions etc as rapidly as possible, and also seek to approve Building Control submissions rapidly too; measures that the Council is considering or already doing are included in Section 5. This does mean that there is an inherent unfairness in the housing land supply policy situation: many councils across England (including Great Yarmouth Borough Council) are being "punished" under the five-year land supply considerations of the [National Planning Policy Framework](#) for low delivery of housing by the private sector, despite (in many cases) permitting ample housing permissions to meet needs.

2.11 The Council has approved a significant number of unallocated and "outside settlement boundary" sites in recent years, and since loss of the five-year supply, there is little choice but to continue, as the "presumption in favour of sustainable development" (NPPF para 11) applies.

**2.12 2017/18 – completions by builder type (208 in total)**

- 47% built by small builders (98 units)
- 39% built by national builders (81 units, all by Persimmon)
- 14% built by medium-sized builders (29 units)

**2.13 2017/18 – breakdown per site size**

"small sites" i.e. less than 1ha (as per NPPF current definition)

"large sites" over 1ha

- 55% built on "smaller sites" (115 units)

- 45% built on “larger sites” (93 units)

Of the 45% built on “larger sites” virtually all were built by Persimmon on a single site (Bradwell).

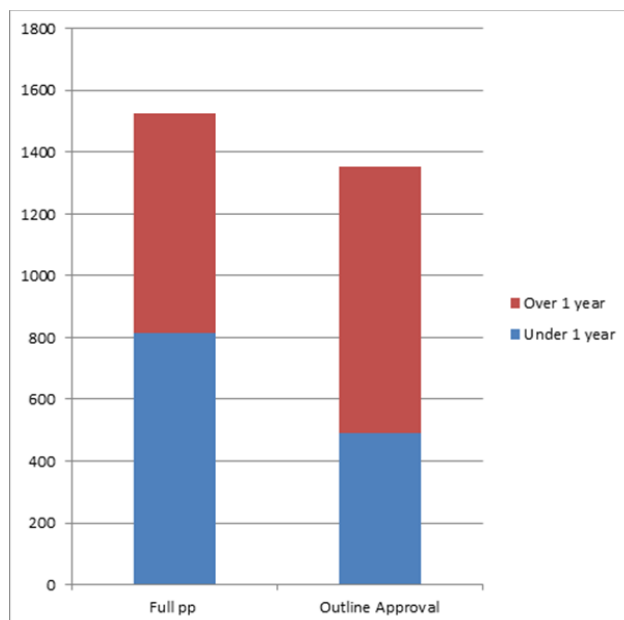
2.14 Figures in Appendix C show that, at the end of 2017/18, of the roughly 3,600 dwellings with planning permission, only 224 were under construction. Of the unbuilt quantity, roughly 1,400 had full permission/reserved matters approved, and roughly 1,500 had outline planning permission (the remainder were at an earlier stage of planning). These figures show – as is common in much of the rest of Norfolk, and elsewhere – that shortage of potential supply is not the main factor holding back higher rates of housing delivery in the borough.

2.15 Appendix C figures also show that, of the sites with planning permission for housing but not yet under construction, slightly more than half (1,780) are more than 12 months old, and slightly less than half (1,600) were granted consent in the previous 12 months.

2.16 The table and graph in Appendix C, and repeated below, has a fuller breakdown of the sizes and ages of sites with planning permission:

		All housing permissions at 01/04/2018		Housing permissions up to 1 year old at 01/04/2018		Housing permissions over 1 year old at 01/04/2018	
	Site Size (dwellings nos.)	Dwellings	Sites	Dwellings	Sites	Dwellings	Sites
Full Planning Permission	1 to 9	524	246	153	77	371	169
	10 to 49	331	17	85	5	246	12
	50+	671	4	575	3	96	1
	<b>Sub-total</b>	<b>1526</b>	<b>267</b>	<b>813</b>	<b>85</b>	<b>713</b>	<b>182</b>
Outline Approval only	1 to 9	76	29	36	13	40	16
	10 to 49	74	5	14	1	60	4
	50+	1202	7	442	4	760	3
	<b>Sub-total</b>	<b>1352</b>	<b>41</b>	<b>492</b>	<b>18</b>	<b>860</b>	<b>23</b>
All Permissions	1 to 9	600	275	189	90	411	185
	10 to 49	405	22	99	6	306	16
	50+	1873	11	1017	7	856	4
	<b>Total</b>	<b>2878</b>	<b>308</b>	<b>1305</b>	<b>103</b>	<b>1573</b>	<b>205</b>

Housing permissions breakdown – type and age



2.17 Overall, the figures show a total of 308 separate sites with planning permission for housing (as at April 2018). Unsurprisingly, the larger sites (50+ dwellings) constitute the majority of supply, at about two-thirds of the total, but the smallest sites (1-9 dwellings) constitute the majority of total permitted sites (275 of 308).

2.18 A significant number of unimplemented planning consents exist across sites of all sizes.

### **3. POTENTIAL REASONS FOR NON-DELIVERY OR SLOW DELIVERY OF HOUSING SITES IN GREAT YARMOUTH BOROUGH**

3.1 Every housing site is unique, with different circumstances, conditions, ownership aims and intents etc. Many potential factors are universal across England, but a smaller number are likely to be more specific to Great Yarmouth borough.

3.2 Officers discuss and debate these issues regularly with colleagues in other authorities, and with landowners and developers. As part of the work to develop the [Norfolk Strategic Planning Framework](#), independent [research was undertaken in 2017 to identify the factors involved in speeding or delaying delivery of housing sites in Norfolk](#). This included a 'deep dive' into the history of two sites in each Norfolk local planning authority area, including discussions with landowners and developers. Appendix B has more details of this report and the recommendations, but the biggest factors affecting delivery are concluded to be risks, costs, infrastructure and viability; discharging planning conditions and completing Section 106 legal agreements; land assembly, land values and cashflow; and third party factors (such as utilities providers and third party objections/land).

3.3 Appendix A includes detailed information on the main reasons that may influence low rates of housing delivery in the Borough. They do not all apply in all cases, but summarised they are:

- Low land values and viability of developments;
- Difficulties in accessing development finance at sensible rates;
- Difficulties for some local people in accessing mortgage finance at sensible rates;
- Lack of competition for housing land;
- Difficulty in finding appropriate sites to develop;
- Developer caution;



- Inflated development value expectations of some landowners;
- Taxation strategies to mitigate (especially) inheritance tax and capital gains tax;
- Corporate landownership structures and landowner disagreements;
- Labour and materials shortfalls;
- Negative perceptions of Great Yarmouth Borough; and
- The impact of developer contributions and pre-commencement planning conditions.

3.4 The housing figures in Section 2 show that there is a very significant stock of housing permissions in the borough. A number of existing and potential measures to try to increase housing delivery are included in Section 5 below, but it is worth explaining why two potential measures that might be thought to increase viability are thought unlikely to work and/or be appropriate:

- Relaxing affordable housing requirements. The requirements – as set out in Policy CS4 of the Core Strategy – are already low, reflecting the low land values in much of the Borough. However, there is a very high level of need for affordable housing throughout the Borough, and there is already provision within the Core Strategy for figures to be reduced if a viability appraisal can be produced which robustly justifies a lower proportion of affordable housing. In addition, a change of this significance would need to be considered very carefully through Local Plan work, with an Equalities Impact Assessment likely to be necessary;
- Relaxing Section 106 contributions for open space and play space. Similar to affordable housing, there are existing standards that could be damaging to sustainable development if not adhered to/reduced. Any changes would need to be considered carefully, and there are already changes proposed through the emerging Part 2 Local Plan. In addition to this, there is very little evidence that the open space requirements cause viability difficulties.

### **Small and medium sized (SME) developers**

3.5 Anecdotal evidence is that a significant number of smaller sites (particularly the single new dwellings) are reliant on a limited number of SME developers. The Head of Planning and Growth recently spoke to seven SME developers active in the Borough (generally building on sites of 1-10 dwellings in size) to try to understand their issues better, and some common themes emerged:

- They tend to specialise in brownfield sites, including 'garden' land, and these sites can sometimes be riskier (in constraints/costs terms);
- They often find it very difficult to access smaller greenfield sites, due to medium and larger developers taking options on them (and not having such good market intelligence that these sites may be available anyway);
- The seven are all either self-funding, or work with private finance partners who supply some/much of their working capital. The terms of loans from High Street banks were frequently described as being extremely onerous in relation to conditions/strictures (if terms are offered at all) and expensive in rates. One said that a developer in a 50:50 agreement can be asked to shoulder the first 50% of any risk on any development loan (in other words, the development would have to lose more than 50% of the value before the bank in question would share any loss). The seven say that it is only their long experience as developers, with their own secure funding, which means they can continue. They sympathise with prospective new SME developers, and wonder how they can get started, with High Street banks thought unlikely to offer any terms at all to them, even if they are experienced developers (previously working for someone else);
- Some are working to capacity, but others could build more if they could get hold of the right (smaller) sites;
- A number said that some brownfield sites/re-developments in parts of Great Yarmouth town itself are simply not viable – the final selling price of the completed re-development would be below the combined purchase price and construction price. These more experienced developers said that they sometimes see newer SME developers take on such sites – and are not surprised when some such projects later stall;
- Whilst some felt that the planning process is not a major barrier to their development projects (with praise for officers), others expressed a degree of frustration with the length of time it can take them to get clearance for schemes. Several mentioned that they feel the (un)timely discharge of pre-commencement conditions by the Council is holding back the start of construction. This is being investigated further.

#### **4. WHAT ARE THE IMPLICATIONS OF THE REVISED NPPF AND THE STANDARD APPROACH TO ASSESSING HOUSING NEEDS?**

4.1 The Government has changed the way it requires local planning authorities to assess the minimum amount of new housing to be provided for in local plans. It has introduced a new national 'standard methodology' for doing this, in order to ensure enough housing is provided and to reduce the time spent in arguments about the

calculations and assumptions used to calculate housing need.

4.2 The new standardised methodology has already been amended by the Government, with further changes to be made in 2019. The Council is currently preparing the Local Plan Part 2 therefore providing an opportunity to update the Core Strategy housing target to reflect the new standard method. [Consultation on the Part 2 Local Plan ran from 20<sup>th</sup> August to 30<sup>th</sup> September 2018](#), and included a proposed reduction of about 2,000 dwellings from the Core Strategy (Local Plan Part 1) total of about 7,000 dwellings. This is not intended to reduce the delivery of housing, but to bring the target down to a figure which is more realistic and achievable.

4.3 The new 'standard method' is more responsive to market signals of housing demand, resulting in increases in housing targets for many areas, but in the case of Great Yarmouth Borough, it significantly reduces the minimum housing target. The 'local housing need' resulting from the new method is currently calculated as 357 dwellings per annum, compared to 420 dwellings per annum average required by the Core Strategy. The new housing need figure will vary (as house prices and average income levels change) until the Council submits its Part 2 Local Plan for examination.

4.4 The reduced housing targets currently resulting from the new methodology are considered to better reflect circumstances in Great Yarmouth. Despite the Council's best endeavours to encourage appropriate housing development (for example, through granting significant numbers of planning permissions and progressing the Part 2 Local Plan), only around 200 dwellings a year have been completed in recent times. Even during the housing boom of the mid-2000s, completions only twice exceeded 350 in any one year. Average annual completions have been 202 dwellings since the start of the plan period in 2013, and only 256 per annum over the longer period since 2002. Appendix A has more details of previous housing completions.

4.5 The move to the new housing needs number cannot come in fully until the Local Plan Part 2 is adopted in early 2020, however. Until then, the Council is very unlikely to be able to recover a five-year housing supply.

### **Housing Delivery Test and Housing Action Plans**

4.6 Paragraph 75 of the [February 2019 version of the National Planning Policy](#)

[Framework](#) and the [associated Planning Practice Guidance](#) set out what the Housing Delivery Test is and how it is calculated. It is described in more detail in Appendix A, In essence, it uses the “standard methodology” referred to above for calculating the housing need, and if certain thresholds are not met, consequences follow.

4.7 Any local planning authority which has not delivered 95% or more of its housing need (judged over a rolling three-year period) must (within six months) prepare an “[Action Plan](#)”, setting out the reasons for the “failure”, steps proposed to remedy the situation and any further powers, resources etc that may be necessary/desirable to help with this mitigation. If 85% is not reached, a buffer of 20% (instead of the standard 5%) must be added to the five-year land supply need figure (if not already engaged).

4.8 After a three-month delay (the results should have been published in November 2018), the Government finally [published the first set of national statistics in February 2019](#). Great Yarmouth’s figure was 606 out of 903 homes needed – 67% – thus engaging both the need to prepare an Action Plan, and to add the 20% buffer to the need figure. (As the Council already did not have a five-year housing land supply, the 20% buffer had already been engaged.)

4.9 Action Plans can be published at any time by councils, but should be published at the latest six months after the Housing Delivery Test results are published; the Council therefore needs to prepare an Action Plan by August 2019. The Planning Practice Guidance makes clear that the preparation of an Action Plan is not something that should (or could) be solely undertaken by a council – infrastructure providers, utility companies, landowners, developers and adjoining authorities should also be involved.

## **5. WHAT IS THE COUNCIL ALREADY DOING/WHAT FURTHER MEASURES CAN IT TAKE?**

5.1 Council officers and members are well aware of the main issues that are constraining housing supply and are continuing and increasing their endeavours to try to improve the current situation, through activities such as:

- Lobbying for central government funding and policy/legislation changes to stimulate housing growth in Great Yarmouth e.g. Housing Infrastructure Fund, in addition to successfully securing infrastructure funding for the Third River Crossing and improvements to flood defences and the A47;

- Working jointly with the other Norfolk planning authorities on measures to support and encourage delivery, as developed through the Norfolk Strategic Planning Framework process;
- Delivering homes on the Council's own land through Equinox (the Council's wholly-owned housing company);
- Using the recently re-established Developers' and Agents' Forum to engage with housebuilders, developers and planning agents (the most recent meeting will be on 13<sup>th</sup> March 2019);
- Increasing awareness of various national funding sources available to assist developers, both small and large, such as [Help to Buy](#) and the [Home Building Fund](#);
- Investigating, reviewing and proposing actions on "stalled" housing sites via an officer working group comprising Planning, Property and Housing officers. This could include potential re-negotiations of S106 payments or phasing, and the appropriate use of compulsory purchase powers to acquire stalled sites;
- Progressing the preparation of the Local Plan Part 2 as rapidly as possible;
- Improving the resources of the planning service, and improving the quality of applications received, via formal pre-application charging (which commenced on 1<sup>st</sup> October 2018);
- Appointing, in July 2018, a Housing Growth Manager, with a cross-Service role of helping to deliver housing on some of the Council's own land, on other "challenging" sites and boost wider developer interest in the borough as a whole;
- Working to promote the strengths of the borough (the thriving offshore industry, Enterprise Zones, recent and forthcoming infrastructure improvements, range of available housing sites etc) to developers not currently active in the area, particularly to other national and regional housebuilders;
- Promoting sites at national events to attract developer/investor interest including:
  - MIPIIM – an inward investment event where major development opportunities are showcased e.g. Town Centre Masterplan. For Great Yarmouth, this is under the banner of 'The East' in collaboration with partner authorities across Norfolk and Suffolk;
  - REVO – a national retail-led event where development opportunities can be showcased. For Great Yarmouth this includes the Great Yarmouth Town Centre Masterplan;

- RESI – a national housebuilders event where Great Yarmouth has recently been showcased and promoted alongside other coastal communities.

5.2 Further measures that are being actively worked on or could at least be considered to try to help drive up the rate of delivery (including some of the recommendations arising from the combined Norfolk Strategic Planning Framework work mentioned in paragraph 5.1):

- Preparing a specific Housing Deal for Great Yarmouth bid to the Government (including the seeking of significant financial support), [which the Housing & Neighbourhoods Committee agreed to support in principle in July 2018](#);
- Setting up a “small developers” sub-group of the Developers’ Forum to consider issues of particular significance and relevance to smaller builders. This could include setting up a SME Developers’ Day (to which industry experts, funders, materials providers etc could be invited) to get developers better informed of support available;
- Setting up joint venture companies with small developers/landowners to get smaller sites built out more quickly;
- Building a closer relationship with local affordable housing providers, to better see if they are willing/able to undertake (more) development in Great Yarmouth, either alone or in partnership with the Council. [The Social Housing Green Paper](#), published in August 2018, will likely lead to some changes in this area;
- Increasing the efforts to promote self-build/custom-build in the borough;
- Investigating the potential for the construction and delivery of modular homes, which can be constructed off-site and finished more quickly than traditional houses (as well as – often – more cheaply);
- Trying to attract more retirement/downsizing housing developers, which is currently a very weak area of recent completions (anecdotally due to lower land values and the higher cost such development types can sometimes have), despite an ageing population; and
- Identifying any additional powers/relaxation of current legislation/policy that may be highly desirable to help drive additional housing starts and completions (to be included in the forthcoming Action Plan). This might well include requests for additional Government/Homes England funding to support/forward-fund infrastructure for early delivery to unlock certain stalled sites which are currently unviable.

5.3 Officers therefore need to continue to keep the situation under active review, and any further national legislative, policy or guidance changes relating to housing and planning will be reviewed to explore opportunities to improve the situation.

5.4 Discussions will be held with Norfolk County Council, other infrastructure providers, developers and landowners to ascertain their views as to how the housing supply situation could best be improved in Great Yarmouth. The final Housing Action Plan must be completed and published by mid-August 2019.

## **6. FINANCIAL IMPLICATIONS**

6.1 The work necessary to implement improvement above is mostly covered by staff time, but the use of Council funds to (for example) forward-fund infrastructure and the delivery of housing would have implications.

6.2 All new development will generate either council tax receipts or business rates receipts and (as appropriate/relevant) Section 106 developer contributions for infrastructure.

## **7. RISK IMPLICATIONS**

7.1 Some of the measures to try to boost housing delivery outlined in this paper are low-risk, but others are higher-risk. Higher-risk measures particularly would likely need specific approval, either from a relevant Council committee or a senior officer.

## **8. CONCLUSIONS**

8.1 This paper shows that there is no one reason underlying the low rates of housing completions in Great Yarmouth borough – it is a whole variety of reasons – and so there is no one “magic bullet” solution available. The Council is already doing a lot to try to remedy the situation (alone and with other councils in Norfolk), and other potential/proposed measures are also suggested. However, as mentioned elsewhere in this report, the housing targets for the Borough are significantly in excess of what has been delivered in recent decades, and there does not seem any realistic prospect of such a significant increase in housing delivery coming through in the short- or medium-term (at least).

8.2 Improving the situation will therefore take time, and housing construction and delivery will remain heavily dependent on the state of the housing market and access to affordable finance (both for developers and prospective homeowners) – macro-economic factors that the Council has little direct control over. Nonetheless,

this is not a counsel of despair, and every individual measure that the Council can effect to help boost housing completions (whether directly or indirectly) will be of some benefit. The Housing Action Plan must contain details of the reasons for the housing delivery shortfall, and measures/asks already in hand and proposed to help try to remedy the situation.

## **9. RECOMMENDATIONS**

Housing & Neighbourhoods Committee is recommended to:

- i) Acknowledge that the Council is required to prepare a Housing “Action Plan” to set out the reasons why housing delivery has been below target;
- ii) Note the steps required to prepare the Action Plan, and comment on the potential content, process and timescale of the Action Plan.

## **10. BACKGROUND PAPERS**

None

*Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?*

<b>Area for consideration</b>	<b>Comment</b>
Monitoring Officer Consultation:	N/A
Section 151 Officer Consultation:	N/A
Existing Council Policies:	Referred to in the report
Financial Implications (including VAT and tax):	Referred to in the report
Legal Implications (including human rights):	Referred to in the report
Risk Implications:	Referred to in the report
Equality Issues/EQIA assessment:	N/A
Crime & Disorder:	N/A
Every Child Matters:	N/A



## Appendix A – Background information on the national housing situation

A1 A gap between the number of houses which are on allocated and/or permitted sites, and those which are completed (built) will tend to exist in most phases of the housing cycle. In part, this reflects the fact that the allocation and/or permitting of sites tends to be “lumpy” (a permission for, say, 500 dwellings is granted at a single moment in time) whereas delivery of housing tends to be smoother (e.g. that permission might deliver 50 houses per year for 10 years). It also reflects that fact that the land market is essentially competitive – more land can be (and is) consented for development than will necessarily be built out, and some consented sites will never actually be developed (or re-developed).

A2 In earlier decades, particularly when the public sector was building significant numbers of dwellings, the gap was not especially important. Using [MHCLG figures](#)<sup>1</sup>, overall housing completions in England reached a post-war peak of over 352,000 in 1968 (204,000 private sector, 144,000 Local Authorities and 5,000 Housing Associations). As public sector housing development is now extremely low, numbers of completions have, unsurprisingly, been closely related to the strength of the “private” housing market. The last time more than 200,000 were delivered in a calendar year was 1988 (203,000) – just before the major housing market crash of the late 1980s/early 1990s.

	Year	Total	Private	Local Authority	Housing Association
<b>Post-war peak</b> <i>(rounded figures)</i>	<b>1967-68</b>	<b>352,000</b>	204,000	144,000	5,000
<b>Late 80s peak</b>	<b>1987-88</b>	<b>189,300</b>	161,740	16,620	10,940
<b>Pre-crash boom</b>	<b>2007-08</b>	<b>170,610</b>	147,170	220	23,220
<b>Most recent year</b>	<b>2017-18</b>	<b>160,470</b>	131,390	1,870	27,210

Table 1 - Housing completions by sector for selected years

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<sup>1</sup> Ministry of Housing, Communities and Local Government

A3 The recession and financial crash of 2008-10 had very significant and long-lasting impacts on the housing market. Completions fell (reaching a low of 110,000 in 2013), with only 86,000 starts recorded in 2009. Many small- and medium-sized developers (SMEs) went out of business, and even the largest volume housebuilders struggled to survive. The main problem was that developers had lots of their money tied up in developments which could not be sold quickly at anything other than a significant loss.

A4 Since the last recession, the development industry has been much more cautious. Whereas previously many would build speculatively (particularly flats), assuming that in a rising market there would always be purchasers, this kind of approach is found only rarely now. Generally, developers will only build at a rate that they are confident they can sell at – at all costs they want to avoid the 2008-12 scenario of sites with large numbers of unsold houses when the next property market downturn comes.

A5 This caution reflects, and is reflected by, development financiers. Banks, financial houses and private equity are not (by and large) keen to lend at relatively low rates of interest to anything other than the most robust and secure medium and large housebuilders. Anecdotal evidence is strong that many SME developers are viewed as simply too high-risk for most lenders to take on, especially new companies without a track record. Even where lending is offered, it can be at interest rates so high (well above 10% in some cases) and other lending terms which are so onerous that it is simply not financially viable to take up such loans. The result – obviously – is seen in low numbers of SME developers, and consequently low housebuilding by these developers.

A6 The problem of housing completions falling well behind need/demand and potential steps to improve the situation is, of course, not new. There have been hundreds of reports prepared over the last 10 years or so on the topic, including (for example) the [Barker Review of land use planning](#) (2006), the Conservative Party's [Green Paper on Planning](#) (prepared when in opposition in 2010) and the (Labour-commissioned) [Lyons Housing Review](#) in 2014.

A7 The previous Conservative/Liberal Democrat and Conservative administrations have spent much time considering the issue, too. Legislation enacted includes the [Localism Act 2011](#), the [Housing and Planning Act 2016](#) and the

[Neighbourhood Planning Act 2017](#). Also of considerable significance was the introduction of the [National Planning Policy Framework in 2012](#). The revised (2018 and 2019) NPPF versions are discussed in more detail elsewhere in this paper.

### **Current national situation**

A8 The gap between housing permissions granted and those completed has widened in recent years. Even accepting the inevitable lag between permissions being granted and those housing permissions being constructed, there is a huge gap in England. [In 2017, over 351,000 houses were granted permission](#), but [only 163,000 completions were achieved](#), well short of even cautious estimates of need of about 220,000 per year. The Government is [aiming for completions of 300,000 per year](#) by the mid-2020s, and hopes to see a house price inflation moderate relative to local incomes.

A9 Whilst many industry and sector bodies are continuing to analyse the situation and propose “solutions”, the Government has followed two main courses of action in the last few years. Firstly, there have been various consultation documents issued, including the [Housing White Paper](#) in February 2017 and [Planning for the Right Homes in the Right Places](#) in September 2017. In addition, several rounds of consultation took place on proposed revisions to the NPPF, including in [2015](#) and from [March-May 2018](#).

A10 Secondly, in the 2017 Budget in November, the Chancellor of the Exchequer announced that the Government had commissioned Sir Oliver Letwin MP to [undertake a review of the build-out of planning permissions into homes](#). The agreed terms of reference are:

“The Review should seek 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. The Review should identify the principal causes of the gap, and identify practical steps that could increase the speed of build out. These steps should support an increase in housing supply consistent with a stable housing market in the short term and so that over the long-term, house prices rise slower than earnings. The review will provide an interim report to the Chancellor of the Exchequer and the Secretary of State for Housing, Communities and Local Government in time for Spring Statement 2018 and a full report for Budget 2018.”

A11 Sir Oliver [published his draft analysis in July 2018](#). His main finding (so far) is that the dominance of the market, and some medium and larger sites in particular, by major (volume) housebuilders leads to a homogeneity of product (particular new house types) in the local area, which the “market” has limited capacity to absorb. He has heard evidence that at least some housebuilders seek to build homes at a rate that does not reduce the price of such homes compared to the price assumed at land purchase. He and his panel are continuing to explore this matter (for example, considering whether/how sites could be opened up to more housebuilders, potentially delivering different housing types, for which there may be greater market capacity to absorb).

A12 The [final Letwin Report was published alongside the Budget in 2018](#). It took forward the analysis of the draft report, and concluded that, in effect, a different system should apply to the largest sites (1500 homes upwards), with a requirement for an independent body to advise planning inspectors where there is a disagreement between the planning authority and the landowners/developers on sub-division of sites to ensure greater competition. An enhanced role for LAs to bring forward large sites themselves or with developers is also proposed. The Government is reflecting on the Letwin Report recommendations and will issue its response in spring 2019.

A13 The [revised NPPF was published on 24<sup>th</sup> July 2018](#). Amongst many changes is the introduction of a [new standard methodology for assessing future housing needs](#) in a district or borough. In essence, this uses future household projections as the starting point for need, and then applies an adjustment upwards if the ratio of average house prices to average annual income is greater than 4 (which it is in much of England). The aim of this is to gradually reduce house price inflation relative to local incomes, such that properties will become more affordable to most people.

A14 The revised NPPF also includes a new element, called the Housing Delivery Test (see paragraph 211). The [Housing Delivery Test Measurement Rule Book](#) details how the calculations are performed, but put simply, the Test results are:

**Total net new homes delivered over three-year period/total new homes required over three-year period.**

A15 The results, expressed as a percentage, will be published in November each year, and will cover the previous three-year period (so the November 2018 figures will include information from 2015/16-2017/18). Where delivery does not reach 25%

of the need (in 2018), 45% (2019) or 75% (2020), the “presumption in favour of sustainable development” (revised NPPF paragraph 11 d)) will apply. The implications of this are the same as not having a five-year supply of housing land – relevant Local Plan policies attract reduced weight, and housing applications should be granted permission unless the harms would “significantly and demonstrably outweigh the benefits”.

## **Appendix B - Potential reasons for non-delivery or slow delivery of housing sites In Great Yarmouth Borough**

B1 The Norfolk Strategic Planning Framework-commissioned research into Norfolk housing sites (see paragraph 3.2) concluded that the biggest factors affecting delivery are risks, costs, infrastructure and viability; discharging planning conditions and completing Section 106 legal agreements; land assembly, land values and cashflow; and third party factors (such as utilities providers and third party objections/land). The main findings and recommendations (highlights) of the report's authors are:

- A better understanding of the risks of delivering larger sites would be useful, particularly in relation to cashflow and infrastructure;
- Better engagement with utilities providers is needed, particularly at a strategic level and at the plan preparation stage;
- Lower land values mean that some developers have to work harder to differentiate their “product”, which can push up costs compared to some “no-frills” developers;
- Councils should require the developers of larger sites (300+ houses) to enter into Planning Performance Agreements (PPAs) with the relevant council(s) to demonstrate commitment to delivery, which could help fund specialist officer support;
- Councils should make better use of powers of compulsory purchase to help bring forward more “challenging” sites;
- Councils should have a good range of sizes of sites available for development, rather than an excessive reliance on one (or more) large strategic site(s) to meet housing needs;
- Councils should encourage more retirement developments, “lifetime homes” (*homes which can continue to be lived in as care needs increase*) and extra-care facilities; and
- Councils should consider creating a county-wide developers’ forum, and giving access to senior council members to enable franker discussions about the challenges of development.

B2 The Norfolk Strategic Planning Member Forum agreed that the detailed recommendations could be divided into those which were most appropriately pursued by the relevant individual planning authority, and those which could best be done by the Norfolk planning authorities working together. The latter included a bid for Government HIF funding (sadly unsuccessful), and a joint Norfolk website of available sites. Further joint work on delivery is continuing, and is currently is

focused on clarifying and formalising responsibilities and oversight between the Norfolk Chief Executives Group, Operational Growth Group, Norfolk Strategic Planning Member Forum and Norfolk Strategic Planning (Policy Officers) Group, etc.

B3 There are many potential reasons why delivery of housing land is slow and poor in Great Yarmouth Borough specifically. Inevitably, many of the factors are inter-related:

**Low land values and non-viability**

B4 In some of the Borough, especially parts of Great Yarmouth town itself, there are a variety of constraints, which can include flood risk: poor ground conditions, archaeology, contamination and access difficulties. Wider socio-economic issues can also be viewed as constraints, including perceptions of crime levels, deprivation and schooling. There is strong evidence – from viability assessments and anecdotal discussions with landowners and developers – that there are parts of the town with very low – or even, in some cases, negative – net (i.e. post-development) land values. In such circumstances, as virtually no developers would be able to access funding (or willing to risk their own funding) to support the development, the site remains undeveloped.

B5 The Council's need to help facilitate marginal development by (where justifiable) reducing requirements such as affordable housing and infrastructure can hinder (to some extent) and attractiveness and quality of an area, which in turn can perpetuate lower land values.

**Difficulties in accessing development finance**

B6 As stated in paragraph A5, it remains difficult, particularly for new SME developers, to access funding at sensible rates. As a result, new builds are released slowly as they often do not have sufficient working capital to work on (say) three houses at the same time. Even larger developers can be vulnerable to this, particularly for more marginal areas.

**Difficulties in accessing affordable mortgage finance**

B7 Average incomes for residents of Great Yarmouth Borough are low (when compared to many other areas), with unemployment higher than the Norfolk and England average also. This means that it can be difficult, even with relatively low house prices in parts of the Borough, for some residents to save enough money for a deposit and to be able to secure mortgages. This obviously feeds through to developers, who need the confidence that their developments will sell in a

reasonable time.

### **Lack of competition amongst housebuilders**

B8 As discussed above in paragraphs 2.8 and 2.9, there is not always the most robust competition for housing land in the borough. This can mean that sites which may have certain perceived constraints may not attract bids at all, or if they do, only at low values. Anecdotal information is that certain consented housing sites marketed for sale recently in parts of the borough have attracted very little serious interest.

### **Developer caution**

B9 Paragraph 1.4 highlighted that speculative building of homes is much rarer to observe now than it used to be in years past, at least outside known property hot-spots. This means that if there are uncertainties about the current/future housing market, some potentially expensive/unknown constraints, and a general lack of competition, many developers will simply walk away and not agree a potential deal unless the price is right, and they are all but certain they could achieve the desired profit margin (knowing that their rivals may well do the same).

### **Inflated development value expectation of landowners**

B10 There is strong anecdotal evidence that at least some landowners' price expectations for their site are unrealistic in the current market. They may have been led to believe (perhaps by professional advisers) that a certain value could be achieved, and if this value is not achieved when marketed for sale to developers, many do not lower their price expectations, but simply do not sell, hoping for higher prices in the future.

### **Taxation**

B11 Taxation does not always feature highly in lists of the reasons hindering development, but it can be a very important factor. Examples can include: the impact of potential inheritance tax bills and mitigation strategies; the impact of an untimely death of a landowner (which may be linked to an inheritance tax situation); the potential for a significant capital gains tax bill to accrue if a sale or deal is not structured "correctly" (seen from the landowner's perspective) – this can sometimes mean deferring a sale into the following tax year, for example, or awaiting the transfer of land to a new corporate structure before the sale completes; stamp duty considerations; and uncertainty/anxiety about future national business, property and personal taxation changes.



### **Corporate structures and landowner disagreements**

B12 It is not uncommon for parcels of land to be held by two or more individuals, and/or companies. Land can also be held by trusts, which can add significantly to the complexity and time to agree and complete property transactions. Sadly, it is also not uncommon for family members/trustees/company directors to have disagreements about the strategy, price etc for disposing of land, which can lead to (in some cases) complete paralysis of any transaction. Sometimes this can be down to personal disagreements, and at other times to personal and /or business taxation situations, as well as simple disagreements as to whether an offered price is high enough to accept.

### **Labour and materials shortfalls**

B13 Various studies and reports have concluded that there is an impending “crunch” in construction industry labour supply, with a significant reduction (nationally) of people joining the construction sector, many existing construction works retiring early and a lack of relevant skills amongst existing construction workers in trades such as bricklayers, plasterers, architects and quantity surveyors, constraining the house building market. The Letwin Review identifies a shortage of bricklayers as being a particular cause of concern to the industry, needing urgent remedial action.

### **Perception**

B14 Paragraph 2.6 highlighted the relative self-containment of Great Yarmouth’s housing market area, one that is not perhaps regarded as a significant commuter hub to many volume house builders, consequently reducing their desire to build homes which might be targeted (for example) to commuters to Norwich.

B15 Norwich’s sphere of influence cannot be ignored in this regard, or indeed on other factors which may be perceived by some as reducing the attractiveness of building new home in Great Yarmouth, including the current town centre offer, a seasonal visitor economy and high unemployment. Though the Council and partners have done, and are doing, much to improve this, some negative perceptions of the town remain hard to shake from some “outsiders” and will take time to be overcome.

### **Section 106 legal agreements (developer contributions) & pre-commencement Conditions**

B16 Timescales for agreeing or completing S.106 negotiations can often be long and protracted. Consequently, developers or landowners may incur significant costs

during this time via loans and mortgages, unable to realise the value of the land until the S.106 is signed, which can further delay the delivery of housing.

B17 Discharging conditions can be both time- and resource-intensive for both LPAs and agencies and can often expose developers to significant risk such as in instances where delivering necessary major infrastructure upfront comes at a high cost and is linked to the need to raise sufficient cashflow i.e. delivery of housing to raise revenue to finance the infrastructure works.

## Appendix C – Great Yarmouth Borough housing figures at the end of 2017/18

<b>DWELLINGS PERMITTED</b>	
NOT UNDER CONSTRUCTION	3,385
UNDER CONSTRUCTION*	224
<b>TOTAL</b>	<b>3,609</b>

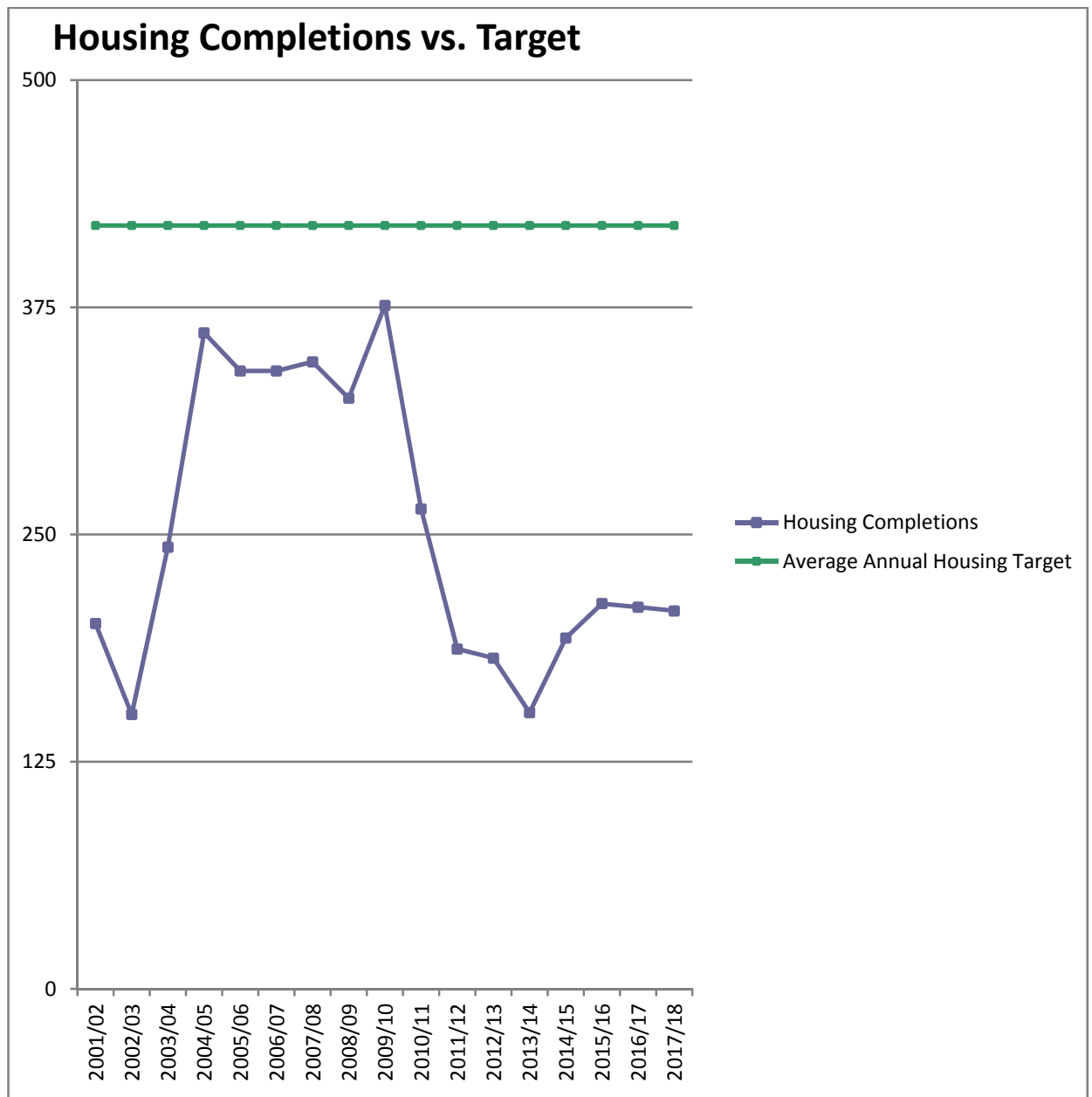
\* Note that for large areas such as Bradwell, we have counted only the current phase as under construction, not the whole of the remaining allocation or permission

<b>NOT UNDER CONSTRUCTION</b>	<b>Dwellings</b>
Full pp	1,397
Outline pp	1,472
Resolution to grant permission	250
Strategic Allocations	266
<b>Sub-total</b>	<b>3,385</b>

<b>NET DWELLINGS COMPLETED 2013-2018</b>	
2013/14	152
2014/15	193
2015/16	212
2016/17	210
2017/18	209
<b>TOTAL</b>	<b>976</b>
<b>ANNUAL AVERAGE</b>	<b>195</b>

		All housing permissions at 01/04/2018		Housing permissions up to one year old at 01/04/2018		Housing permissions over one year old at 01/04/2018	
	Size (units)	Units	Sites	Units	Sites	Units	Sites
Full PP	1 to 9	524	246	153	77	371	169
	10 to 49	331	17	85	5	246	12
	50+	671	4	575	3	96	1
	<b>Sub-total</b>	<b>1526</b>	<b>267</b>	<b>813</b>	<b>85</b>	<b>713</b>	<b>182</b>
Outline PP	1 to 9	76	29	36	13	40	16
	10 to 49	74	5	14	1	60	4
	50+	1202	7	442	4	760	3
	<b>Sub-total</b>	<b>1352</b>	<b>41</b>	<b>492</b>	<b>18</b>	<b>860</b>	<b>23</b>
All PP	1 to 9	600	275	189	90	411	185
	10 to 49	405	22	99	6	306	16
	50+	1873	11	1017	7	856	4
	<b>TOTAL</b>	<b>2878</b>	<b>308</b>	<b>1305</b>	<b>103</b>	<b>1573</b>	<b>205</b>

Note: Permission data above includes outline, full and reserved matters consents only. It does not include any resolutions to approve or strategic allocations (see table on previous page for this overall breakdown)



### Housing Permissions and Construction

Great Yarmouth Borough currently has **3,609** dwellings with 'permissions', of which only **224** are under construction, and **3,385** are not under construction

Of those not under construction, **1,397** have full planning permission, **1,472** outline permission, **250** have a resolution to grant permission, and **266** are remaining Strategic Allocations.

976 dwellings have been constructed in the Borough since April 2013, an average of 195 per annum. (Completed dwellings are excluded from figures above.)

### **Age of Housing Permissions**

Approximately **1,800** current dwelling 'permissions' are over a year old and not under construction.

Of the dwellings 'permitted' but not under construction:

1,782 permissions over a year old (including 266 remaining Strategic Allocations);

1,603 permissions under a year old;

**3,385** in total

DWELLINGS PERMITTED	
NOT UNDER CONSTRUCTION	3,385
UNDER CONSTRUCTION*	224
<b>TOTAL</b>	<b>3,609</b>

\* Note that for large developments such as Bradwell, only the current phase is counted as under construction, not the whole of the remaining allocation or permission

DWELLINGS PERMITTED AND NOT UNDER CONSTRUCTION	Dwellings
Full pp	1,397
Outline pp	1,472
Resolution to grant permission	250
Strategic Allocations	266
<b>Sub-total</b>	<b>3,385</b>

DWELLINGS COMPLETED 2013-2018	
2013/14	152
2014/15	193
2015/16	212
2016/17	210
2017/18	209
<b>TOTAL</b>	<b>976</b>
<b>ANNUAL AVERAGE</b>	<b>195</b>