

CBI response to the MHCLG Planning White Paper ‘Planning for the Future’

Executive Summary

The Confederation of British Industry (CBI) is pleased to respond on behalf of our members to the Ministry of Housing, Communities and Local Government’s (MHCLG) Planning White Paper *Planning for the Future*. We represent more than 190,000 businesses in all regions and industries of the UK, around a third of the private sector workforce.

MHCLG is right to be exploring how to overhaul the planning system in England, and we welcome its ambition for a step change in the way development takes place. Planning matters to businesses: whether it is having suitable housing stock within commuting distance for staff, or the ability to build on successful growth by expanding floorspace, planning policy and planning decisions are part of the success or failure of all businesses, small or large, wherever they are in the country. As the coronavirus pandemic introduces long-term shifts in the way people live and work, an agile planning system will be needed to remain responsive to change in the future.

The CBI’s consultation response draws on insights from its members across a range of industries and focuses on the following key points:

Pillar One – Planning for Development

- **Business welcomes the Planning White Paper’s ambition to simplify and speed up the planning system.** Our members strongly agree that the present planning system is too complex and protracted to deliver the kind of effective decision making that can successfully realise the full potential of new and re-development. This limits the growth and prosperity of communities from Newcastle to Newquay. The CBI therefore welcomes proposals to speed up Local Plan-making and utilise national development management policies, streamline and simplify planning processes, and create more homes to address the affordability challenges facing the country.
 - **Key recommendation: Government should review when statutory plan-making timeframes will be introduced, with an optional grace period for local authorities.**
 - **Key recommendation: The Duty to Cooperate should remain in national planning policy for now.**
- **Businesses also recognise that the drive towards a digital and technology-led planning system will be an enabler of reduced complexity and faster decision making.** Too often, decisions are hindered by laborious processes and under-resourced planning teams working with them. The goal of bringing the planning system into the 21st century, with a digital-first approach to plan-making, the application process and community engagement, is therefore a worthy one.
- **The success of a new planning system will depend on having the right skills and resources in place on day one.** Feedback from CBI members consistently suggests that capacity and capability of over-stretched local authorities is the biggest barrier to increasing the speed of planning decisions. For a new planning system to be successful, it is therefore essential that

skills and resourcing issues are addressed and suitably funded, including training provision across local authorities and the Planning Inspectorate, ahead of time. Launching a new planning system without the necessary skills in place will lead to suboptimal outcomes.

- **Key recommendation: MHCLG should anticipate and provide a level of funding appropriate to delivering a paradigm shift in planning skills.**

Pillar Two – Planning for beautiful and sustainable places

- **Improving the sustainability of homes and buildings must be the primary objective of building beautiful places.** The CBI's members are advocates of progressive targets on the UK's 2050 net-zero carbon target, recognising that the built environment is a leading contributor to the country's carbon emissions. While new development should reflect and celebrate the characteristics of areas in which they are built, new homes and non-domestic buildings must make a positive difference to the country's carbon goals, with energy efficiency and carbon reduction at the front and centre of new planning policy.
 - **Key recommendation: National planning policy should align with the forthcoming Future Homes Standard and Minimum Energy Efficiency Standard.**
 - **Key recommendation: National and local 'design guides' should remain as guidance only, rather than binding rules.**

Pillar Three – Planning for infrastructure and connected places

- **Affordable housing delivery remains fundamental to our economy.** The new planning system must safeguard delivery of more affordable homes in more areas of England as a key component of the government's overall ambition to build more homes generally. A steady increase in affordable housing provision will be central to meeting the target of 300,000 homes a year and modernising supply chain skills across the wider housebuilding sector.
 - **Key recommendation: The existing Section 106 regime should be retained.**
- **The new planning system must also drive more successful infrastructure delivery.** Planning encompasses developments far beyond the houses people live in. Almost everything that gets developed, from a rural petrol station to the enormous 'supersheds' that support online retail, relies on effective planning. A planning system that unlocks high numbers of sustainable and safe homes for the future must also enable non-domestic development and the transport and social infrastructure which supports communities, creates jobs, and drives business growth to be built.
 - **Key recommendation: Government should consult further on a more effective mandatory Infrastructure Levy to deliver transport and social infrastructure within local authority areas.**
 - **Key recommendation: Revisions to the Standard Methodology should make sure housing supply requirements give more weighting to local affordability.**

Having laid out a clear direction of travel in this Planning White Paper, the government should now identify the building blocks of the new system that will require legislation, and engage on each segment closely with planning practitioners, commercial and residential tenants and landowners, housing associations and registered providers, developers and constructors, to establish the detailed legislation which will realise the objectives set out in *Planning for the Future*.

Pillar One – Planning for Development

The CBI's membership includes both the businesses involved in all parts of the planning system, and those who are reliant on the planning system for the successful operation and growth of their business. All agree that the White Paper's ambition to improve the efficiency of planning decisions and reduce complexity within planning processes is both necessary and welcome.

New approaches to plan-making must marry efficiency and speed with clarity

Business broadly welcomes the government's proposal (**Proposal 1**) to simplify Local Plans into three categories of development zones and believes this will be critical to speeding up developments, delivering the intended benefits to communities that sit behind Local Plans.

However, CBI members believe that the proposed designations of 'Growth', 'Renewal' and 'Protected' might be confusing (they are used in this response for ease of reference). 'Protected', for example, would suggest to the public that such a designation prevents any development activity whatsoever, when it is clearly not the case, and could otherwise be used as a tool to stop sustainable and viable development in such areas. There are also likely to be certain types of development sites that could exist in any of the areas, which might blur the lines, particularly between 'Growth' and 'Renewal' areas. Additionally, safeguarding and securing minerals infrastructure will be essential in defining and permitting development that might come forward in 'Renewal' and 'Protected' areas.

To simplify understanding of the new areas, it may be preferable to have a numbered or lettered tiering system (i.e. zone A, B, C) which aligns with the principles of development for each area. This information should be easily accessible to the public through Local Authority websites and on Local Plans themselves.

Once the areas are clearly defined with principles for development, business believes that the designations should be legally enforceable so that businesses investing within 'Growth' and 'Renewal' areas have greater confidence and certainty they will be able to acquire and develop new sites in line with their own business plans.

Our members are also supportive of allowing automatic outline approval for development in the 'Growth' and 'Renewal' areas, but this is cautioned by the message that obtaining such approval requires significant investment of resources – both in businesses and in local authorities themselves. Much more detail would need to be established for automatic approval in each of the zones in every Local Plan before they could be of meaningful use to businesses and developers preparing applications. Automatic approval would also assume that relevant design guides are in place so that communities can be confident in the quality, aesthetic, and sustainability of sites that receive automatic approval when a Local Plan is adopted.

The government should recognise that capturing value and creating new development at pace in 'Growth' areas should not be limited to large-scale, mixed-use sites. Ensuring a variety of small and large sites for different uses can come forward, particularly in 'Growth' areas but potentially in 'Renewal' areas too, will be essential to maximise the value captured on land in these places, and ensure a level-playing field for smaller housebuilders and developers in the new system.

It is likely that the most value would be captured in 'Growth' areas rather than 'Renewal' areas, where development is more likely to be additional or improving activity, and 'Protected' areas, where development will be limited. How this will impact necessary but less valuable development in local authority areas needs further consideration by the Ministry, in consultation with industry. The Ministry should also remain aware that necessary development can be required in 'green belt' areas:

the proposed new approach to Local Plan areas should not prohibit fair and reasonable discussions about developing on 'green belt' land in the future.

Businesses are also supportive of scaling back development management policies at a local level and leaving these to be managed using the National Planning Policy Framework (**Proposal 2**). This will simplify necessary changes to national planning policy in the future, for example in relation to the energy efficiency or safety of buildings, and remove unnecessary duplication and effort in creating and interpreting local planning policies.

Simplifying multiple processes should not mean losing sight of the overall environmental and deliverability objectives

The Ministry proposes removing separate sustainability and deliverability assessments and creating a single 'sustainable development' test, incorporating environmental consideration, to speed up the assessment of soundness in the Local Plan-making process (**Proposal 3**).

The CBI's members agree that this route would be a step towards creating efficiency in the new planning system, but are in favour of the current five-year land supply and housing delivery test being retained. As mentioned above, while viability of development is essential for plans to come forward, environmental considerations should be front and centre of a new sustainable development test.

The government advocates throughout *Planning for the Future* that it has ambitions of a "net gain, not just no net harm" approach to planning. **The CBI recommends that this aim sets the tone for guaranteeing net-positive environmental outcomes in the new 'sustainable development' test. We also recommend that the simplified 'sustainable development' test has regard to the government's Social Value Act.**

The Ministry also proposes removing the Duty to Cooperate between local authorities. Many of the CBI's members responding to this consultation have noted concern that, absent of this Duty, much-needed collaboration between local authorities will be lost. Indeed, if local authorities identify similar areas (for example, 'Growth' or 'Protected' areas) in their Local Plans that are linked or closely situated geographically, there is potentially greater value in cooperating to deliver infrastructure and specific site types. This might be missed if their Plans were developed in isolation. Similarly, opportunities to build a higher number of homes across a broader region could be unlocked through collaboration and sharing of housing requirements between two or more local authorities. Such opportunities might not be realised if Duty to Cooperate is abolished.

While the CBI is supportive of efforts to make the planning system leaner, our members broadly believe the Duty to Cooperate plays a useful role in realising greater economic and social value of plan-making across strategic areas. **As the Planning White Paper does not propose an alternative, the CBI recommends that the Duty to Cooperate is retained in national planning policy for now. This would still allow the Ministry to remove the Duty across England if a better alternative is developed.** The government's long-anticipated white paper on devolution might be a good opportunity to explore how better cooperation between local authorities on plan-making could be achieved.

Shorter timeframes for plan-making should allow for flexibility as local authorities adjust to the new landscape

MHCLG has set out an intention to reduce the time local authorities have to produce Local Plans to 30 months, or 42 months for authorities with recently submitted or approved Plans, from the launch of a new planning system (**Proposal 8**). There are intrinsic benefits to this, not least giving

developers and businesses more confidence over timeframes pertaining to their strategic investment in land and property, creating a far more buoyant pipeline of projects in the construction and housebuilding industries, and potentially delivering much-needed housing, infrastructure and community assets more quickly. However, CBI members believe this proposal could lead to some unintended consequences, which need to be mitigated.

Businesses have suggested that two and a half years is insufficient time to produce comprehensive Local Plans that have been well thought out and evidence-based within a new set of plan-making guidance. This could particularly be the case for larger local authority areas which may have many different areas that need assessing before being designated for 'Growth', 'Renewal' and 'Protection'. Regardless of size, all authorities will have to go through the process of re-assessing their authority areas and getting to grips with a new landscape, which is likely to take some time.

This is effectively a 'starting from scratch' approach to Local Plans which could present two major risks to plan-making for planning departments. Firstly, if many local authorities begin a statutory 30-month countdown at the same time, this will likely create a competition for talent that leads to a shortage of the new planning skills. It is unlikely that even generous government funding for new skills and resourcing will deliver an oversupply of planning talent to meet this demand. The issue of skills and capacity and capability is explored in more detail below.

Secondly, as the Ministry has indicated that government could intervene where local authorities fail to meet the statutory timeframes, this may incentivise the first batch of Local Plans in the new system to be 'rushed through' to avoid intervention, so that authorities can then move into the five-year cycle of reviewing and updating Plans. Such a move could incentivise inappropriate use of 'Protected' areas in Local Plans to avoid extensive consultation and engagement processes involved in planning for more substantial development. The consequences of poorly-made or hurried plans could lead to the wrong kinds of development, failing the needs of local communities and delaying valuable development further.

Digitally led planning processes will be key to realising efficiencies in the new system

As a general ambition, the Planning White Paper's drive towards digital-first, technology-driven processes and decision making is welcomed by the CBI and its members. Proposals for online, interactive and map-based Local Plans are likely to be more useful, and appeal to more people if they wish to engage in the plan-making process.

To ensure this is realised, **the CBI recommends that the technology to create these Plans must be available to all Local Authorities to ensure they are standardised across regions. Plans should also be user-friendly for common internet-enabled devices, including smartphones and tablets and there must be provisions for people who do not have easy access to the internet or those who are at a disadvantage using screen-based technologies.**

Ambitions to digitise planning application processes are also welcomed, particularly in view of the gains offered by standardisation that enable swifter submission, analysis and recording of applications. This will unlock rich data sets that will allow the public and private sectors to analyse use of land across England and get early sight of development and infrastructure improvements needed in the future.

The demands of the new system must avoid shutting out the private sector

Although the private sector stands to benefit from faster plan-making, the 30-month timeframe is also not without risk to businesses. CBI members have pointed out that they could face a 'use it or lose it' choice to invest in sites which may present a financial risk if purchased, or may mean they are

unable to afford to develop immediately. This could result in Local Plans containing several site allocations that do not deliver any development activity for some time.

Businesses who interact frequently with the planning system have explained how the cost of risk involved in developing sites is rarely known at the point of purchase, emerging much later once development is under way. Under the proposed statutory Local Plan-making timeframes, businesses and developers could be forced to invest substantial front-loaded costs as risk mitigation without enough information to be sure it is sufficient, or aligns with the types and likelihood of risks that could emerge.

Possibly the biggest hurdle facing the proposal for 30 and 42-month statutory plan-making timeframes, however, is that the preparatory work required for individual planning applications on large, multi-use or original sites is already an incredibly burdensome process for both the applicants and local authorities involved, as well as being costly for the applicant. If the government intends for sites allocated to 'Growth' areas – and potentially 'Renewal' areas – to receive outline planning approval in time for the submission of Local Plans within 30 months, some CBI members believe this will place an unachievable demand for business and local authority resources to produce, scrutinise and sign off the necessary reports. The view of business is this would be an uphill task for just a handful of sites: if a Local Plan required this amount of upfront work to secure outline planning approval for every site in 'Growth' and 'Renewal' areas, it would likely prove to be insurmountable within the statutory timeframe.

While views varied, some CBI members have also suggested that outline planning permission for specific Local Plan areas may not be an essential component of the new planning system – as long as sites within certain areas retain a presumption in favour of approval. For many businesses, the more simple outcome of Local Plans being produced within 30 months, with sites allocated for use benefitting from an expectation of planning permission being granted (subject to the usual tests), would be enough for an uptick in business confidence in their investment plans, without necessarily having to front load their investment into shorter, fixed timeframes. As an alternative option to the government's proposal, this would have the effect of increasing business confidence in the viability of development opportunities while still offering the flexibility to invest strategically in response to changes in market and economic conditions. The government could incentivise developers and landholders to commit to sites in Local Plans in a reasonable timeframe by setting a three-year period from the adoption of a Local Plan for planning applications to be signed-off, or the sites be released for inclusion in the next Local Plan update.

It is welcome that *Planning for the Future* recognises the potential challenges caused by these timeframes and sets out several options (**Proposal 5**) for routes to consent for detailed planning permissions to be achieved in 'Growth', 'Renewal' and 'Protected' areas. The CBI's members, however, feel that more detail is required to test and provide feedback on these proposals, and look forward to engaging more fully following this White Paper consultation to explore how faster permissions and approvals can be achieved.

Given these challenges, the CBI recommends the government should think carefully about when the proposed 30 and 42-month statutory timeframes are to be introduced. More specifically, detailed analysis should be conducted to establish how many local authorities would begin Local Plan-making, when they would begin, and the statutory timeframes that would apply, based on different assumptions of when the new planning system would launch (for example, at the beginning of a new parliament). Following this, the CBI recommends that government considers introducing an optional grace period before statutory Local Plan timeframes kick in for the first

time. We would be supportive of the 30-month timeframe being in statute for all local authorities' subsequent Local Plans.

Pillar Two – Planning for beautiful and sustainable places

Embedding better design within placemaking will increase the likelihood of more development coming forward

The CBI welcomes the government's desire to see new approaches to placemaking result in communities where people want to live and work in every corner of England. This can rapidly increase the attractiveness of different regions for residents and businesses, driving the government's ambition to create equality of opportunity and growth through its 'levelling up' agenda.

But as the CBI has heard from a variety of members, this will require tackling a predisposition against new or re-development in a local area, which too frequently stands in the way of improvements to community housing and infrastructure. This can be at a local political level but also a local public level, where a vocal minority can hold back much-needed development.

Much of this opposition hinges on whether new development 'feels right' for the area in which it would come forward. The Ministry's proposal for a National Model Design Code (NMDC) (**Proposal 11**) would therefore be beneficial in creating a framework of design principles which would underpin quality and sustainable developments regardless of where they are planned, which could speed up scrutiny and deter objections to developments that meet the NMDC. Our members believe that the NMDC should avoid being overly prescriptive, instead being reserved for wider placemaking principles and guidance on types of domestic and non-domestic buildings. To this end, the Ministry should incorporate the NMDC into its National Design Guide, ensuring this more useful and comprehensive framework remains as valuable guidance rather than doctrine.

A cumbersome patchwork of design codes could hold back development

The CBI recognises the attraction of locally-created design guides and design codes to drive new development that reflects the characteristics of the areas it is built in, which can help reduce opposition to new development. However, the proposal to require and favour local-level design guides and design codes within Local Plans presents issues to the viability of developments, and could have the opposite effect to speeding up and simplifying planning.

Firstly, prescribing and favouring local design characteristics mean developers and housing providers operating across the country, or even across several local authority areas, cannot plan to develop at scale and pass on the economic benefits of doing so, because they will be subject to different requirements in each local authority. This is far from an efficient approach for businesses, and could particularly hold back SMEs who are less well-resourced to respond to variations in approach. It could also lead to developers stepping back from local authority areas where local design guides are more restrictive, limiting beneficial new development in those communities.

Secondly, the Planning White Paper suggestion that local design guides or codes must secure community involvement before they are 'given weight' is currently lacking in detail to support how this would work in practice. For example, there is no consideration outlined as to how the production of local design guides or codes could impact the statutory timeframes for Local Plans. There is also no explanation of how the ambition to create places that reflect community input into

design – presumably to reduce local opposition to developments – would be reconciled if the faster planning system brings forward new development at pace in places without local guides.

Thirdly, and unfortunately, there is no guaranteed correlation between ‘beautiful’ development and safe, longlasting and sustainable development. Given the established contribution of domestic and non-domestic buildings to the country’s carbon emissions, it is imperative that ‘beautiful’ plan-making and design goes hand-in-hand with improved sustainability performance, rather than disrupt the progress towards it. Developing buildings that must adopt the design characteristics of existing development, however beautiful, could reduce the success of innovation in creating more energy efficient, higher quality buildings.

Additionally, on this point, there is no suggestion that design guides consider internal factors of sustainable, beautiful and safe homes (and buildings). The internal design of a house or a building plays a huge part in its safety, quality of life and energy efficiency performance, and needs to be given equal weighting in ‘beautiful’ placemaking.

As this area of proposals is so subjective, the CBI would make three simple recommendations. **All Design Guides and Codes, at a national and local level, should remain as guidance rather than binding rules.**

The process of creating Design Guides and Codes for Local Plans should mandate the involvement of developers, local businesses and interested commercial parties, alongside the equally vital role of community engagement.

Design Guides and Codes should include a framework for internal building standards.

Reducing carbon emissions and improving energy efficiency should be the core focus of ‘sustainable’ places

To ensure development under the planning system delivers not just economic but social and environmental value to communities across England, related regulation should come forward in parallel to the creation of the proposals in the Planning White Paper to secure performance on carbon emissions, energy efficiency, building quality and building safety. There is a necessary trade-off between the commercial opportunities offered by a faster, more efficient planning system and the responsibility developers have in constructing a lasting and sustainable built environment.

The CBI’s members are enthusiastic advocates for government policy to lead the way in setting a direction towards the UK’s 2050 net-zero carbon target, while recent events related to building safety, and lessons learned from unfit housing under previous permitted development rights conversions, point to the role of regulation in achieving safe, secure and sustainable buildings. Stretching requirements for quality, spatial requirements, and environmental performance should be seen as a welcome benchmark to ensure the faster-paced development of homes and non-domestic buildings that are future-proofed in line with the UK’s climate targets and improvements to building safety.

As mentioned above, the imperative for new buildings under a new planning system is their sustainability performance, and ensuring that any new building that comes forward contributes positively to the country’s 2050 net-zero target. While the Ministry acknowledges this in *Planning for the Future*, there is a disappointing lack of detail on how securing the energy efficiency, reduced carbon emissions and longevity of new developments might be achieved. It will be vastly more important (and effective) to reduce the carbon impact of our built environment by improving the performance of building fabric than planting lots of trees in residential streets, for example.

There is no time to waste in improving the carbon footprint of our homes and buildings: our members want to see firm and more progressive environmental standards embedded in the reformed planning system. The CBI interprets **Proposal 15** to indicate this, which we agree with. The Planning White Paper also suggests that any new homes built after the launch of the new planning system will not require retrofitting in the future, pointing to the forthcoming Future Homes Standard as a benchmark (**Proposal 18**). **The CBI recommends that legislation underpinning the new planning system aligns national planning policy, in the National Planning Policy Framework or elsewhere, with the Future Homes Standard. The CBI also recommends that the same approach is taken to ensure alignment between planning policy and the updated Minimum Energy Efficiency Standard for private-rented residential and non-domestic buildings.**

Even with alignment to the Future Homes Standard and Minimum Energy Efficiency Standard, there is still a gap in the owner-occupier homes market. The government's recent Green Homes Grant is a positive step for incentivising homeowners to make energy efficiency improvements, but the CBI's members are keen to see this extended beyond April 2021 to maximise take-up and delivery, which is currently being hindered by poorer weather, concerns over job security in the supply chain and social distancing. **The CBI recommends that government explores how the Green Homes Grant could be extended by at least 12 months as part of a new movement to create a mindset shift in homeowners to improve the energy efficiency of their homes over the long-term.**

Pillar Three – Planning for infrastructure and connected places

The government's proposal for an Infrastructure Levy will reduce affordable housing and requires a careful rethink

The government is right to be using this reform to the planning system to review how infrastructure at a regional level can be better funded and planned, ensuring the right types of transport infrastructure and social infrastructure is built in tandem with homes and non-domestic building development. Simplifying developer contributions so that costs are more transparent and predictable will be helpful, particularly for smaller housebuilders. It is also right to have identified that any new system must ensure as a minimum no net loss in affordable housing provision.

However, the CBI has consulted with organisations that build and manage homes for market sale and rent, and providers of homes for affordable rent, social rent and shared ownership. We have also consulted with businesses who are local employers around the country. The CBI cannot overstate the strength of opposition to the Ministry's proposal for an Infrastructure Levy that combines the existing Section 106 and Community Infrastructure Levy. The proposal (**Proposals 19 and 21**) in its current guise, while aimed at positive outcomes, is flawed and lacks enough detail as to why it would offer a better alternative.

The CBI recommends that Section 106 is not removed. Although not without its problems, the system is understood by developers and housing associations, as well as local authorities, albeit with limited resources to administrate the Section 106 negotiations speedily. Currently, Section 106 delivers more than half of the affordable housing completions in England¹. The CBI's members are concerned that the Ministry's proposal for an Infrastructure Levy does not – despite government's ambition to do so – guarantee at least the same level of affordable housing as presently. The new

¹ Live Table 1000C, MHCLG. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

Levy, as proposed, would give local authorities more flexibility with which to use pooled levy funds to spend on infrastructure and affordable housing, without a minimum threshold or incentive to spend the money on either.

If the government's response to such concerns is to ringfence Infrastructure Levy funds for affordable housing, then this effectively recreates the Section 106 system, which is unnecessary reform for reform's sake.

The primary issue with Section 106, members tell us, is that negotiating and agreeing terms takes time. The CBI's members believe that the broader gains in plan-making efficiency and speed, achieved through some of the positive reforms set out elsewhere in *Planning for the Future*, could significantly improve the success of Section 106 in more quickly delivering affordable homes of different tenure types, which will continue benefitting communities everywhere and ensuring enough truly affordable homes get built across England.

Securing a greater and more reliable source of funding for infrastructure is a vital ambition for the new planning system

The government's proposal for making an Infrastructure Levy mandatory, in a way that the existing Community Infrastructure Levy is not, has more value, providing it is retained as an infrastructure fund only and not for affordable housing. CBI members have pointed out that shortcomings in the Community Infrastructure Levy (CIL) were addressed in a 2016 review, with potential improvements to CIL put forward.

A new Infrastructure Levy would need to have a national charging regime that allowed local determinations of rates for individual areas. The viability, costs and risks of development alongside the locally specific needs and constraints of delivering future infrastructure, plus the variance in levels of value captured, means it would be virtually impossible for an effective national threshold to be set that is flexible enough to meet the infrastructure needs of local areas in different parts of the country.

Our members have also pointed out concerns over an approach that sets Levy rates at planning application stage on final development values that may not be fully realised at the point of completion / occupancy of the developments. This could result in private sector overpayment and a reduced attractiveness of site viability, which businesses may mitigate by pulling back from marginal development, or lead to less revenue secured for local authorities. This approach to when an Infrastructure Levy is levied and the rate set, and accounting for gaps in value capture, needs further exploration and explanation.

A new Infrastructure Levy should also have principles of use defined in the National Planning Policy Framework, or alternative suitable national policy document, that directs how it can be spent. Businesses and housing associations who operate within areas where a CIL regime is in place are sceptical that giving local authorities more flexibility in using a levy like this would see funding redirected away from infrastructure into other areas, such as public services normally paid for by Council Tax receipts.

The CBI therefore recommends that the government consults further on a more effective mandatory Infrastructure Levy to deliver transport and social infrastructure within local authority areas. This should sit alongside the existing and retained Section 106 regime. We strongly recommend government continues to engage deeply with the affordable housing sector to understand how gains achieved through simplifying plan-making and planning application processes could improve the effectiveness of the retained Section 106 regime.

The way the planning system interacts with other proposals for housing supply requires further consideration as we recover from the coronavirus pandemic

The CBI's members have raised further concerns about two related areas of policy interlinking with the proposals in *Planning for the Future*. Firstly, the revised Standard Method as proposed in a separate MHCLG consultation has the potential to incentivise housing supply away from areas where need is most acute to areas where affordability is highest because prices are high (rather than ability to afford the prices). This has led, for example, to a calculation that London needs to be building over 90,000 homes a year to meet demand, which is almost three times the number achieved on average in recent years, while the entire North East region would see a supply of less than 8,000 homes a year despite delivering more than 10,000 on average in the last three years². This seems in conflict with the government's highly talked-up promise to 'level-up' all areas of the country.

This is concerning because the government is proposing to mandate the housing requirements that local authorities must deliver. The Standard Method revisions, as set out, misses the simple but important test of relative affordability of housing costs to local incomes, while quality of life metrics and access to other amenities in the area is also important to take into consideration. **The CBI recommends that revisions to the Standard Methodology (Proposal 4) make sure housing supply requirements give more weighting to local affordability and need than currently proposed.**

Separately, developers and housing associations continue to raise the alarm over the government's intention to mandate First Homes as a percentage of all affordable homes delivered through Section 106 in the short-term. Although the Ministry has listened to feedback to its consultation on the First Homes scheme and is proposing a 25% portion of Section 106 funds be given over to First Homes, some way below the 40%-80% initially proposed, the First Homes scheme is a new tenure type so will reduce the provision of affordable rent, social rent and shared ownership units delivered through Section 106 simply by dint of being mandated.

As the CBI set out in its original response to the First Homes consultation, this approach seems (now even more so) in disconnect with the anticipated economic impacts of the coronavirus pandemic, which could lead to a doubling in unemployment compared to pre-pandemic levels³ and have already seen in a noticeable reduction in 90% loan-to-value mortgages available for first time buyers. Data related to the government's Job Retention Scheme also shows that young people, typically the target first-time buyer, are most at risk of redundancies when the scheme ends this month. Despite the First Homes scheme discounting market sale homes by at least 30%, it risks being launched into a short-term market where ownership is unattractive and supported housing tenures are in higher demand. The CBI would therefore advise further evaluation of the balance of First Homes with demand in the market in the near to medium term.

The government should ensure the drive for faster delivery is supported by the required supply of materials

The Planning White Paper sets out proposals to reform the planning system in England that focuses on placemaking and delivery. It is essential to recognise that development in all forms and its impact on the economy depends on the sustainable supply of minerals. Consideration must be given to minerals planning which mainly operates within its own specific framework of Mineral Local Plans and associated legislation. Improvements to the planning system that enable housing and

² Analysis by Lichfields <https://lichfields.uk/grow-renew-protect-planning-for-the-future/how-many-homes-the-new-standard-method/>

³ HM Treasury <https://www.gov.uk/government/collections/data-forecasts#2020>

infrastructure supply, but which risks ignoring, complicating or inhibiting the provision of materials to build homes, buildings and infrastructure is going to be counterproductive to the successful delivery of new and re-development. **The CBI recommends that MHCLG should explore updating and simplifying Minerals Local Plans in tandem with creating a new approach to Local Plan-making.** The CBI Minerals Group is submitting a separate response to the *Planning for the Future* consultation, which we would draw the Ministry's attention to.

A skills strategy for resourcing the new planning system must be fully funded and implemented in time to launch the system successfully

There is a common thread among the views of every membership business, organisation or stakeholder the CBI has spoken to in bringing this consultation response together. Namely, the single action that government could take to secure the successful implementation of the new planning system is to ensure it delivers on its commitment to develop and implement a comprehensive skills and resourcing strategy to underpin the legislated reforms to the planning system (**Proposal 23**).

There is much to like about the reforms proposed in *Planning for the Future*, and the benefits of a less complex, streamlined planning system extend both to those operating the planning system and those who interact with it. It is right that the bulk of the cost of operating the new system, once launched, is borne by a similar fee-paying system for those who most benefit, similar to the current system. However, the reality remains that the success of a new planning system will rely on an effective and well-funded government strategy to attract, train, upskill and retain resources in local authority planning departments ahead of its launch. This extends to the evolution of roles and skills in the Planning Inspectorate.

The clear message from CBI members is that government must create the framework for skills required in local authority planning teams and the Planning Inspectorate, including identifying the outcomes roles in the new planning system will be expected to achieve. The government must also set out how those new skills should be taught and learned, including for new staff entering planning roles and existing staff who require upskilling. As MHCLG acknowledges in the Planning White Paper, spending per head in local authority planning teams has reduced significantly over a period of many years. **The CBI recommends that MHCLG's resources and skills strategy plans for, and provides, the level of funding required to match the paradigm shift in skills and expertise expected of local authority planning departments.**

Ends

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