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New analysis shows the planning system is suffocating housing delivery on small sites

- New research shows the **planning system disproportionately holds back development on small sites.**
- **Planning for small sites is taking longer, making the process riskier and more expensive. 98% of applications for housing on small sites take well over a year (60 weeks on average) before a permission is issued.**
- **Much of this time is spent on S106 agreements, after applications have already been approved by councils.**
- **Affordable housing and viability are the principal causes of delay** – the more complex the affordable housing requirements, the longer planning decisions take.
- **Delays of this magnitude often mean the difference between make or break for small developers** – with the SME sector struggling over recent decades as a result.
- **Report calls for the Government to bolster Permission in Principle (PIP) for small sites that provide 40% of homes for low cost ownership, or make a payment to support affordable housing elsewhere in the local area.**

A one-size fits all planning system is holding back the potential of small sites to deliver new homes according to new research published by affordable housing developer, Pocket Living, and Lichfields, the leading national planning and development consultancy in the UK.

Applications for housing on small sites, such as vacant car parks, disused land, petrol stations and garages are taking 60 weeks on average to secure consent, almost five times longer than the Government's statutory target of 13 weeks.

At the heart of the problem is a disproportionate planning system, with development on small sites needing to satisfy the same planning policies as large sites – including requirements for a mix of uses and housing tenures, regardless of whether the small site has the physical space to do so.

The research data shows that the more complex the affordable housing demands, the longer a planning decision takes. Planning applications including a single form of affordable housing are decided much quicker.

60% of the applications analysed included on-site affordable housing and a further 27% included a payment in lieu to the local authority. However, in three quarters of cases, protracted discussions about a site's affordable housing provision and overall viability were a root cause of planning delays. In contrast, applications where viability assessments¹ were not required took half the time to determine.

The research found that, on average, 23 weeks were spent negotiating Section 106² agreements – in some cases taking almost as long as the planning application itself.

¹ A viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it while meeting planning policies. Often these become a key feature of planning applications, with the amount and type of affordable housing a site can deliver being a common focus.

² Section 106 (S106) agreements are legal agreements between local authorities and developers focused on mitigating the impact of a development. These negotiated and agreed after a council approves a planning application. Often these are referred to as 'planning obligations'.

The net result is that the planning regime for small sites is considerably slowing down the rate of housing delivery. This is at a time when the Government is eager to rapidly increase housebuilding and development activity to tackle the UK's housing crisis and drive a post-pandemic recovery through economic growth and the creation of new jobs.

The report is unequivocal in its conclusion that a more proportionate and pragmatic approach to planning applications on small sites is needed if homes are to be delivered quickly and small sites are to achieve their full potential. The report welcomes the Government's proposals to extend Permission in Principle³ (PIP) to major developments but argues that this must be strengthened, and calls for a simplified approach to tenure on small sites⁴, with 40% intermediate housing provision on site or a payment in lieu. This would create certainty for developers and speed up planning and the delivery of new homes.

Marc Vlessing, Pocket Living's CEO and founder, said:

"This research shows how small sites are already delivering lots of affordable housing, but there is potential for SME developers to do much more to help drive local growth and job creation as part of the economic recovery.

"Inflexible planning policies inevitably lead to protracted negotiations, which are having a huge impact on the SME sector where margins are tighter and delays can have catastrophic consequences. Insolvencies among our peers are rising year on year so it's no wonder the UK's housebuilding sector is increasingly dominated by big developers and big sites.

"Small sites are by their nature constrained infill sites, often in locations that are best suited for homes for single people and young couples. If we are to deliver homes for these people at pace, the SME sector needs a planning system to work with it, not against it. The Government has made a positive start by proposing to extend Permission in Principle, but this needs more bite and a simpler, clearer approach to affordable housing tenure."

James Fennell, Chief Executive of Lichfields, added:

"This is the first time a study of this kind has been undertaken and the findings are clear – smaller developments on urban sites are inhibited by a complex and cumbersome planning system that fails to differentiate between small and large schemes.

"Complexity in the system and the challenges of dealing with viability and affordable housing are the main causes of delay, but the S106 system is also a major factor in slowing down development – with developers and councils spending months negotiating details long after the principle of development has been agreed.

"The need to develop small sites is well established and our analysis suggests that a simplified approach to applications and obligations for small sites is needed to help unlock this and help speed up the building of new homes."

Untapped potential

Once approved, developments on small sites are usually delivered faster than larger schemes as they are built in a single phase and are less reliant on new infrastructure. There is therefore potential for changes to planning policies for small sites to have a rapid impact and support economic growth as part of the post-pandemic recovery.

³ Permission in Principle was introduced in the 2016 Housing and Planning Act as a faster way to give planning permission on small sites. In Changes to the Current System (August 2020) the Government is proposing to extend its application to sites of up to 150 homes.

⁴ Defined as sites that are smaller than 0.25 hectares, brownfield and well-served by public transport/local amenities.

A sustained decline in housing delivery on small sites over several decades is partly responsible for SME developers now building just one in ten new homes in the UK, compared to a peak of nearly half in the early 1980s. In London, there was a 50% decrease in small housing developments between 2006 and 2016 and the planning system was recently voted as the top barrier to building in a survey of the SME sector⁵.

The case for planning reform: unlocking the potential of small sites

The research concludes that if the potential of small sites is to be unlocked, a more proportionate and pragmatic planning approach is needed.

The Government is proposing short term changes to help the delivery of development on small sites including the extension of Permission in Principle to major developments. The research supports this move and calls for further action, including that:

1. Permission in Principle should be granted on brownfield sites smaller than 0.25 hectares which are well-served by public transport and local amenities, and where 40% of the homes will be intermediate housing on site or a payment is made in lieu.
2. Councils should only be able to refuse to grant Permission in Principle where they can clearly demonstrate that development would be harmful.
3. Once PIP is granted the 'technical consents stage' application should be an objective assessment of any impacts, rather than a subjective assessment against all the local plan policies.
4. Planning conditions on small sites should be kept to a minimum and automatically granted after six weeks.
5. In advance of more substantive changes to the S106 system, there should be firmer deadlines for the conclusion of these agreements to ensure faster delivery of new homes.
6. Government should go further in recognising the importance of small sites, and councils should take a proportionate approach to planning applications for small sites, supporting swift delivery.

Other key findings

- Only one of the 60 applications analysed was determined within the statutory 13 week period, and just two met the Government's 26 week planning guarantee, which allows applicants to claim fees back from planning authorities if applications are not decided within that period and an extension has not been agreed.
- Even once the decision to grant permission has been made, with the S106 heads of terms included in the committee report⁶, it takes on average 23 weeks before the permission is finalised.
- Planning permissions with a mix of affordable housing tenures took 71 weeks to determine compared with 56 weeks for permissions with only intermediate homes.

About the data

Small sites data is not collected nationally. London is the only region which maintains a record of small sites. This is the first time a detailed analysis has been undertaken to understand their journey through the planning system.

⁵ FMB House Builders' Survey 2020, available [here](#).

⁶ S106 heads of terms set out the planning obligations that an applicant is willing to be bound by.

The research is based on analysis of a sample of 60 recent planning permissions on small housing sites in London, taken from the Greater London Authority's (GLA's) London Development Database (LDD).

For the purpose of this research, small developments are classified as residential and mixed-use developments containing between 10 and 150 homes. The lower parameter in this range (10 homes) reflects the National Planning Policy Framework threshold for major applications and the upper parameter (150 homes) is the threshold for an application to be referred to the Mayor of London.

The London-based analysis enables lessons to be drawn for future housing development on small urban sites more widely.

Supporting materials

- The **full report** is available on request
- **Before and after images of exemplar small site developments** can be provided
- **Briefings and interviews with Marc Vlessing**, CEO and founder of Pocket Living, can also be arranged

Notes for editors

About Pocket Living

Pocket Living was established in 2005 and delivers grant-free affordable homes to purchase at a 20% discount for those on moderate incomes; people who are essential to London's economy but cannot afford to buy a market home and earn too much to qualify for social housing. This discount is retained in perpetuity - offering buyers an affordable route to homeownership.

40% of Pocket homes are purchased by key workers, while the proportion of London's population that are key workers is 18% (Key workers: key facts and questions, IFS).

Pocket is supported by the Mayor of London and Homes England and delivers homes as part of the Mayor's affordable housing programme.

Pocket is currently offering over 200 affordable homes for London's first-time buyers at West Green Place (Haringey), Addiscombe Grove (Croydon), Harbard Close (Barking) and Gardner Close (Redbridge).

www.pocketliving.com

About Lichfields

Lichfields, the trading name of Nathaniel Lichfield & Partners Ltd, is the leading planning and development consultancy in the UK. Its specialists deliver insight, innovation and advice to create great places for future generations.

It has offices in Birmingham, Bristol, Cardiff, Edinburgh, Leeds, London, Manchester, Newcastle and Thames Valley.

It was set up in 1962 by highly-decorated town planner Professor Nathaniel Lichfield and is owned by its staff through an employee benefit trust. It has annual revenues of over £20m and employs 215 people across its nationwide offices.

Lichfields was RTPI Planning Consultancy of the Year, in 2012, 2013 & 2014, making it the first consultancy to achieve this feat. It is one of the largest independent planning consultancies in the UK.

It offers a broad range of planning services including economics, heritage, sustainability, and urban design. Its clients include local authorities and government bodies, as well as developers, landowners and operators in the housing, retail, leisure, commercial, and infrastructure sectors.

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