

Planning Policy Consultation Team
Planning Directorate – Planning Policy Division
Department for Levelling Up, Housing & Communities
By email: PlanningPolicyConsultation@levellingup.gov.uk

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Levelling-up and Regeneration Bill: reforms to national planning policy

We, the Association of Real Estate Funds¹ (AREF), welcome the opportunity to respond to the above consultation.

Our members include funds that develop and invest in residential housing including build-to-rent, affordable housing and student accommodation. Private institutional capital in the residential sector is a relatively new-found asset class in the UK, nevertheless, one that is growing exponentially and is bringing about additionality to the housing market. It is likely to become a key source of capital for the UK Housing market in the future. Institutional capital has the potential to be a key player in assisting the Government with its levelling up agenda and help solve the shortage of housing. It could provide capital to modernise the housing stock and provide affordable, high-quality housing where it is required, with responsible landlords. Institutional investors are keen to diversify into the residential sector and have the funds to do so but it has to be an attractive investment proposition. Having a coherent planning strategy which investors can be confident in is an important part of attracting this capital into building homes at scale in the UK.

We have not answered specific questions in the consultation, but we would like to provide some feedback that we feel should be taken into consideration when updating the national planning policy.

General Comments on the proposals

We support the Government's aim to speed up the planning process, although we believe not all the proposed changes to the National Planning Policy Framework (NPPF) will necessarily help in achieving this goal. We would note that obtaining planning permission is the first of several hurdles prior to starting work on site. There has been a growing list of asks and requirements which can cause delay to starting building. The removal of the obligation for Local Authorities to maintain a land supply could lead to an increase in planning appeals and consequently delays in obtaining planning permission.

One key issue is finding funding for building projects. When attracting investors in residential funds, they have to be confident that their investment will be used in well planned projects that will provide the return they are looking for. They will expect the planning process to be efficient and not drawn out. A planning framework that works, with a coherent strategy and which is not constantly changing helps to attract investment.

There is a shortage of housing across both the urban conurbations and in the rural areas, in particular for single family housing. The increased emphasis on city centre and urban sites will not address this and ways to provide land suitable for family housing need to be considered along with the increase in households with a lower number of people per house. There needs to be the ability to alter land use allocations whether it is achieved by permitting change from other commercial sectors and / or slight adjustment of Green Belt boundaries to meet housing requirements. This is likely to play a key part in achieving greater densities within urban areas and putting 'stranded assets / land parcels' across the UK to use, bringing forward buildings that would be fit for purpose in the future. A forward-looking approach towards

¹ The Association of Real Estate Funds represents the UK real estate funds industry and has around 60 member funds with a collective net asset value of more than £72 billion under management on behalf of their investors, including £18 billion on behalf of retail investors in the UK. The Association is committed to promoting transparency in performance measurement and fund reporting through the AREF Code of Practice, the AREF/IPD UK Quarterly Property Funds Index and the AREF/IPD Property Fund Vision Handbook.

repurposing existing commercial buildings (Zones) has the potential to prevent areas of significant blight forming in the future.

Another key area of concern is the lack of investment there has been in local authorities, particularly their planning departments. The proposals move more responsibility to local authorities who are already struggling with their current workload. To achieve the Government's aims, more funding is required for local authorities to invest in the planning system.

As the Government is aware, it is not only improvements in planning policy for housing that is required. However, there has been a piecemeal approach by Government with separate consultations on planning policy for different sectors. Reforming planning for housing can't be considered in isolation without looking at, for example, planning reforms for town centres, enterprise zones and logistics.

Another area that must be considered alongside planning reforms for housing is sustainability and achieving net zero carbon. The whole life carbon emissions of a building should be taken into account when deciding whether to retrofit or replace existing buildings. Also, another way to reduce carbon emissions is to use modern construction methods; we ask for recognition in the planning process for this.

AREF is keen to engage with DLUHC on reforms to NPPF going forward to ensure our Fund Members are able to deliver developments that assist the Government in achieving its levelling up policy. If you would like to discuss our response with us, please contact either myself (prichards@aref.org.uk) or Jacqui Bungay (jbungay@aref.org.uk), Policy Secretariat at AREF. Also, as our members invest in real estate and other real assets for various types of open-ended and closed-ended funds, in the UK and in other jurisdictions, we are always willing to assist DLUHC by sharing this wealth of knowledge and expertise.

Yours sincerely



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Response to consultation

Chapter 3 - Providing certainty through local and neighbourhood plans

Reforming the 5 year housing land supply (5YHLS)

We do not believe that simplifying the planning system by making housing targets and buffers advisory is likely to increase speed of housing delivery. It could have the opposite effect by leading to more planning requests going to appeal. Targets are needed to be measured against.

Chapter 4 – Planning for Housing

Green Belt

Not requiring local authorities to review Green Belt, even when it is the right thing to do, doesn't help to solve housing and employment needs. This could be a problem in local authorities with a high level of Green Belt. There are sometimes good reasons for considering building on Green Belt land; for example, near transport hubs such as motorway junctions and rural train stations.

Urban uplift

We are supportive of using brownfield sites however, we would note that not all brownfield developments are viable. Also, they may not necessarily provide the right housing requirements. There is a particular shortage of single family housing and most brownfield sites will not be suitable for this type of housing.

We feel that there is inconsistency between the Green Belt and urban uplift requirements. Many of the towns and cities, where the urban uplift requirements will apply, are constrained in meeting these requirements by their local Green Belt. One way these towns and cities could be assisted in meeting the housing targets set by Government, would be by there being 'duty to cooperate' style requirements in the adjacent areas.

Transitional Arrangements

Whilst the reforms are consulted on and put in place, this could give the opportunity for some plans, that are already in progression, to be stalled or even withdrawn. If there is no local plan in place there could, in theory, be unconstrained developments.

Chapter 5 – A planning system for communities

More homes for social rent

We agree that local planning authorities should consider Social Rent homes when making planning decisions. However, we would note that it is easy to demonstrate needs for social rent but not so easy to obtain evidence for other rental requirements. Due to this, there is a danger that only social rent is identified as being required when housing is required for other types of tenants too. For example, homes for people on modest incomes that don't qualify for affordable rent. Strategic Housing Market Assessments (SHMA) identify the housing requirements at a local level. Local authorities should be encouraged to use SHMAs when considering their housing requirements. Although, the right mix of tenures in a scheme should be considered on a case-by-case basis.

The BTR sector has been a driver of better-quality housing accommodation in the market with higher standards being achieved with regards management of tenants and the estates, thus bringing demonstrable and measurable social benefits. However, the current planning process does not acknowledge the BTR sector as a use-class which is an impediment in achieving the right permissions and in the delivery of an appropriate product at the right price point for the locale. The growth of institutional capital interest, seeking certainty and clarity, would be enhanced if the asset class, which also delivery discounted and affordable rented properties, is adequately acknowledged in the planning system.

Older people's housing

We support the proposed amendments for older people's housing; we agree it should be assessed across age groups and need. There is growing interest for both inner city retirement living and healthcare accommodation as there is for facilities in peri-urban or rural locations. From a socio-economic perspective it is key to make provision for an ageing UK population in advance and retain the demography in their respective locales to ensure communities of mixed-age and with wealth thrive in local areas. An approach towards provision of accommodation for the ageing will become another key driver to create thriving towns.

SME and smaller builders –

The density permitted on a site can make a development viable or not. This has been acknowledged in the consultation by enabling smaller builders to deliver “gentle density”. However, this could lead to inconsistency in the application of planning policies. Higher density may be permitted on small sites or on large sites sub-divided into smaller sites but not permitted on larger sites with one developer.

Registered Providers (RP)

We agree with the proposals to amend the definition of ‘affordable housing for rent’ to enable organisations that are not Registered Providers – in particular, community-led developers and almshouses – to develop new affordable homes. There is already a precedent set for this by BTR schemes who run affordable housing without Registered Providers.

More build out

We can understand the Government’s desire for developments to be built out as soon as possible once planning permission has been granted. Investors in residential funds expect developments to go ahead as soon as possible as they are not seeing any income from their investment until the buildings have been completed and let. However, there are sometimes reasons for delays that are outside of the developer’s control such as labour shortages, supply chain pressures or challenges around the new building safety regime.

We agree that it is important that where planning permission has been obtained, any reasons for not going ahead should be monitored and addressed. However, the Government’s proposals could disincentivise developers from applying for planning permission until they are certain there are unlikely to be any delays in building. This could lead to fewer homes being built and housing targets not being met.

Chapter 6 – Asking for beauty

Beauty

We would question whether local authorities would have the resources to implement local design codes to ensure there are “beautiful and well-designed developments”.

Sometimes, to achieve regeneration of an area, new developments need to be different in character to the surrounding area.

Chapter 7 - Protecting the environment and tackling climate change

Carbon Emissions

We believe that whole life carbon emissions of a building should be taken into account when deciding whether to retrofit or replace existing buildings. In a lot of cases, retrofitting existing buildings, to provide additional housing, is a sensible course of action. However, it isn’t always viable, some buildings were built with a limited shelf life and would take a lot of carbon to bring up to modern building standards. Also, there may be occasions where redevelopment may provide much needed urban greening.

One concern we have regarding retrofitting buildings is that there is a skills gap which we would ask the Government to consider addressing.

Another way to reduce carbon emissions is to use modern construction method; we would like recognition in the planning process for this.

Biodiversity net gain

We would note that there are challenges meeting biodiversity net gain on brownfield land. There are occasions when off-site solutions are required.

Chapter 11 – Enabling Levelling Up

As we mentioned in the introduction to our response, the planning policy for housing cannot be considered in isolation; planning reforms for town centres, enterprise zones, industrials and logistics need to be taken into consideration too. We feel there is a place for AREF’s members to assist the Government with their levelling up agenda across all these sectors as well as housing. Ensuring there are the right planning policies is a key part of enabling the funds to invest in developments that will support the levelling up agenda.