

House of Commons: Written Statement (HCWS50)

Department for Communities and Local Government

Written Statement made by: **The Minister of State for Housing and Planning (Brandon Lewis)** on 28 Nov 2014.

Support for small scale developers, custom and self-builders

I would like to update hon. Members on the action that the Coalition Government has taken to free up the planning system and the further new measures we are now implementing to support small scale developers and help hard-working people get the home they want by reducing disproportionate burdens on developer contributions.

Section 106 obligations imposed on small scale developers, custom and self-builders

We consulted in March this year on a series of measures intended to tackle the disproportionate burden of developer contributions on small scale developers, custom and self-builders. These included introducing into national policy a threshold beneath which affordable housing contributions should not be sought. The suggested threshold was for developments of ten-units or less (and which have a maximum combined gross floor space of no more than 1,000 square metres).

We also proposed a similar policy for affordable housing contributions be applied to all residential extensions and annexes. Rural Exception Sites would be exempted from any threshold introduced following consultation. Our consultation asked whether the threshold should be extended to include the tariff style contributions that some authorities seek in order to provide general funding pots for infrastructure. We also consulted on restricting the application of affordable housing contributions to vacant buildings being brought back into use (other than for any increase in floor space). This latter proposal was to boost development on brownfield land and provide consistency with exemptions from the Community Infrastructure Levy.

We received over 300 consultation responses many of which contained detailed submissions and local data. After careful consideration of these responses, the Government is making the following changes to national policy with regard to Section 106 planning obligations:

- Due to the disproportionate burden of developer contributions on small scale developers, for sites of 10-units or less, and which have a maximum combined gross floor space of 1,000 square metres, affordable housing and tariff style contributions should not be sought. This will also apply to all residential annexes and extensions.
- For designated rural areas under Section 157 of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty, authorities may choose to implement a lower threshold of 5-units or less, beneath which affordable housing and tariff style contributions should not be sought. This will also apply to all residential annexes and extensions. Within these designated areas, if the 5-unit threshold is implemented then payment of affordable housing and tariff style contributions on developments of between 6 to 10 units should also be sought as a cash payment only and be commuted until after completion of units within the development.
- These changes in national planning policy will not apply to Rural Exception Sites which, subject to the local area demonstrating sufficient need, remain available to support the delivery of affordable homes for local people. However, affordable housing and tariff style contributions should not be sought in relation to residential annexes and extensions.

· A financial credit, equivalent to the existing gross floorspace of any vacant buildings brought back into any lawful use or demolished for re-development, should be deducted from the calculation of any affordable housing contributions sought from relevant development schemes. This will not however apply to vacant buildings which have been abandoned.

We will publish revised planning guidance to assist authorities in implementing these changes shortly.

By lowering the construction cost of small-scale new build housing and home improvements, these reforms will help increase housing supply. In particular, they will encourage development on smaller brownfield sites and help to diversify the house building sector by providing a much-needed boost to small and medium-sized developers, which have been disproportionately affected by the Labour Government's 2008 housing crash. The number of small-scale builders has fallen to less than 3,000 – down from over 6,000 in 1997.

We estimate that the policy will save, on average, £15,000 in Section 106 housing contributions per new dwelling in England – some councils are charging up to £145,000 on single dwellings. Further savings will be made from tariffs, which may add additional charges of more than £15,000 per dwelling, over and above any housing contributions. Taken together, these changes will deliver six-figure savings for small-scale developers in some parts of the country.

The Home Builders Federation confirmed that these changes will provide a boost to small and medium builders, stating:

“This exemption would offer small and medium-sized developers a shot in the arm. The time and expense of negotiating Section 106 affordable housing contributions on small sites, and the subsequent payments, can threaten the viability of small developments and act as another barrier to the entry and growth of smaller firms”

Similarly, the Federation of Master Builders said:

“The new ten unit threshold for affordable housing contributions is a sensible and proportionate approach to help alleviate the pressure on SME house builders who have been squeezed out of the housing market in recent years. This is important because without a viable SME house building sector we won't be able to build the number of new homes that are needed to address the housing crisis”

Promoting custom and self-build housing

These changes to Section 106 policy complement the Coalition Government's wider programme of reforms to get Britain Building, including measures to actively support the custom and self-build sector that will help people design and build their own home.

Specifically, we have exempted custom and self-builders from paying the Community Infrastructure Levy. The £30 million investment fund for Custom Build Homes has so far approved or is currently considering loan funding of £13 million. We have launched a new £150 million investment fund to help provide up to 10,000 serviced building plots. The first bidding round closed in September and applications received are currently being assessed by the Homes and Communities Agency.

In addition we continue to work in partnership with industry to provide better support and information to custom and self-builders and we are helping community-led custom projects by enabling them to apply for £65 million under the Affordable Housing Guarantee programme and £14 million of project support funding.

We are also providing £525 million through the Builders' Finance Fund (2015-16 to 2016-17) to provide development finance to unlock stalled small housing sites. A shortlist of 165 small housing schemes was announced on 8 September. We are also opening up the Builders Finance

Fund to support small building firms schemes, from 5 units in size upwards.

We also published a consultation on the Right to Build in October. The idea is simple: prospective custom builders will have a right to purchase a plot of land from their local Council to build their own home. To underpin the consultation we are working with a network of eleven Right to Build Vanguards to test how the Right can work in practice and we are supporting the hon. Member for South Norfolk's (Richard Bacon) *Self-Build and Custom Housebuilding Private Members' Bill* which has now passed its Second Reading in this House.

Getting empty and redundant land and property back into use

We have introduced a range of measures to help communities get empty and surplus land and property back into productive use.

We have reformed permitted development rights to cut through complexity, free up the planning system and encourage the conversion of existing buildings. The changes help support town centres, the rural economy and provide much-needed homes.

Changes to Community Infrastructure Levy rules now provide an increased incentive for brownfield development, through exempting empty buildings being brought back into use. To assist extensions and home improvements, we have also exempted them from Community Infrastructure Levy, stopped plans for a so-called 'conservatory tax', stopped any council tax revaluation which would have taxed home improvements, and introduced a new national council tax discount for family annexes.

Conclusion

We expect implementation of these measures to have a significant positive impact on housing numbers by unlocking small scale development and boosting the attractiveness of brownfield sites. This will provide real incentive for small builders and to people looking to build their own home. They will increase house building and help reduce the cost of such housing.

These latest policy changes illustrate how this Government continues to deliver the reform to our planning system which will enable more houses to be built, giving more power to local communities, helping people move on to and up the housing ladder.