

Response to the draft revised National Planning Policy Framework

10 May 2018

Introduction

1. London Chamber of Commerce and Industry (LCCI) is the largest capital-focused business advocacy organisation representing the interests of over 2,000 companies from small and medium-sized enterprises through to large, multi-national corporates. Our member companies operate within a wide range of sectors across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.
2. As the voice of London business, we seek to promote and enhance the interests of the capital's business community through representations to central government, the Mayor and London Assembly, Parliament and media, as well as international audiences. Through member surveys and commissioned research, LCCI seeks to inform and shape debate on key business issues.
3. We welcome the strong emphasis that draft revised National Planning Policy Framework (NPPF) places on housing, and 'homes' especially – mentioned three times in the opening paragraph in the introduction¹, however, the NPPF must also support the needs of businesses.
4. The property and construction industry is strongly represented amongst LCCI membership, most notably through our Property and Construction Committee² which advises LCCI's policy work.
5. LCCI and its Property and Construction Committee have identified three areas that predominately impact on the capital's ability to deliver the homes it needs to meet demand including; skills shortages, the decline of smaller developers and issues surrounding planning.
6. LCCI welcomes the opportunity to respond to the Government's draft revised National Planning Policy Framework (NPPF), given the magnitude of the capital's housing crisis and its impact upon London's businesses. In our response, we will focus on reviewing poor quality land in the green belt, targeting of smaller sites and constraints around the planning process.

Housing undersupply and London business

"London's chronic housing shortage is giving rise to a host of challenges for businesses, including the recruitment and retention of staff, and impacts on the productivity of employees. Following years of undersupply of new homes, there is no doubt more houses need to be built across the capital to ensure the city's continued success."

Mark AE Collins – Chair UK Residential, CBRE and Chair of LCCI Property and Construction Committee

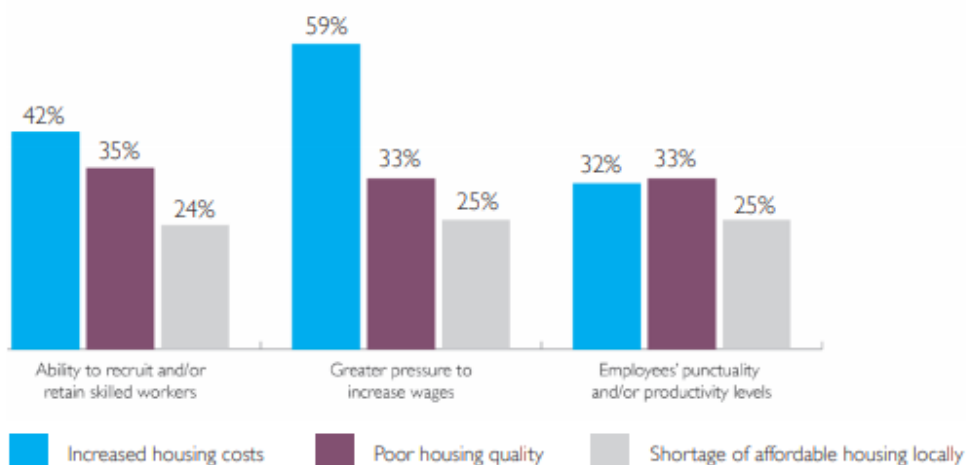
7. In July 2017, LCCI and London Councils published joint polling of more than 1000 London businesses which showed that that nearly half of firms identified better availability and affordability of housing as one of the top two ways to improve staff retention – closely followed by addressing transport costs (45%). Additionally, 44% of firms polled said better availability and affordability of housing would assist them in recruitment³.

¹ Ministry of Housing, Communities and Local Government: National Planning Policy Framework – Consultation Proposals
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685288/NPPF_Consultation.pdf

² <https://www.londonchamber.co.uk/membership/our-core-sectors/property-and-construction/>

³ LCCI/London Councils – London Business 1000 July 2017

8. During the past twenty years statistics have shown London's population has risen by 25% (1.7 million), with job growth at 40% (1.6 million) whilst housing supply has significantly lagged, growing at only 15% (470,000)⁴.
9. In 2014, LCCI published *Getting our house in order: The impact of housing undersupply on London business*⁵ which identified the main impacts of housing undersupply on businesses were, pressure to increase wages, making it harder to recruit and retain staff, and negative impacts on punctuality and productivity. The chart below, from the report shows the impact of increased housing costs, shortage of housing locally, and poor-quality housing on London businesses.



Impact of housing undersupply on London's resilience

10. The chronic undersupply of housing in the capital not only impacts on businesses ability to retain and recruit staff, but adversely impacts on London's resiliency. Research has shown that 54% of the capital's "blue light" emergency services workers do not live in the capital, impacting on London's ability to deal with a major incident⁶. In order for the capital to meet the challenges of tomorrow, the preparedness of the capital to deal with a major incident must be addressed. London's finite amount of space currently restricts both availability and affordability of homes in the capital.

"For us it is a major issue that so many firefighters in the London Fire Brigade can't afford to live in the Greater London area. Housing in London is so expensive that firefighters often can't live anywhere near their place of work. This can cause all sorts of practical difficulties because it may take at least a couple of hours for people to reach their place of work. There might then be that slight added risk that they won't be as fresh as they would like to be when they arrive for work, or their concentration is impaired. It also means they are spending less time with their families and their children and their stress levels increase when they are at work."

Paul Embery, Executive Council Member, Fire Brigades Union London

⁴ James Murray, Deputy Mayor Housing and Residential Development Housing Summit City Hall October 2017

⁵ LCCI *Getting our house in order: The impact of housing undersupply on London business* May 2014

⁶ LCCI *Living on the edge: Housing London's Blue Light Emergency Services* June 2016

Green Belt

11. Research conducted by LCCI found that of the 22% of space in the capital's Metropolitan Green Belt there was up to 329 hectares of space – identified as brown space that is defined as disused or has poor quality land-use⁷ – that could be used to build up to 20,000 homes for the capital's emergency services workers⁸.
12. **Consequently, LCCI advocates that there should be limited intervention in the Metropolitan Green Belt, by using neglected, derelict or disused space to build affordable homes for the capital's "blue light" emergency services workers.**
13. **The revised NPPF provides an ideal platform for an honest reassessment of the Green Belt, which is not all lush green fields. Of course, any discussion making mention of 'building' and 'Green Belt' is contentious. However, we believe limited intervention, with suitable safeguards, to make best use of poor quality and undesirable land to help house London's emergency workers is right.**

Small sites

14. Vital to addressing the capital's housing needs are small builders. The eight largest housing developers account for more than half of new homes built in the UK. Small builders can complement these high-volume operators by bringing forward sites that are not commercially viable for the larger players.
15. However, small builders face a number of barriers including accessing land, navigating the planning system and securing finance.
16. Despite efforts by the Government to support small builders, small builders have seen a dramatic fall in market share, exacerbated by the recession a decade ago. The graphic below clearly illustrates this – on a national level⁹.

	Small builders (1–100 units a year)	Medium builders (101–2000 units a year)	Volume builders (2000+ units a year)
Market share in 2008	28%	40%	31%
Market share in 2015	12%	29%	59%

17. LCCI is encouraged by the recognition that the NPPF has explicitly stated that small sites can make an *"important contribution to meeting housing requirement of an area"*¹⁰.
18. However, it must be emphasised that while small developers have a role in developing small sites, obstacles remain, preventing them from reaching their potential, especially around the planning process – as can be seen in the chart below.

⁷ LCCI adopted the term 'brown space' to define land in the Metropolitan Green Belt, within London, that is disused or has a poor-quality land use. For the London context, this has been conceptualised as: - vacant, unused or derelict sites - land with a poor-quality use, including scrap and car breakers' yards, quarries, gravel and sand pits, storage yards (including builders yards, car parking and other run-down sites with sheds or workshops), nearly full landfill sites and lorry and transport yards.

⁸ LCCI Brown for Blue: Land to house London's emergency services workers December 2017

⁹ House of Commons: Communities and Local Government Committee – Capacity in the homebuilding industry (Tenth report of session 2016-17) pp. 12

¹⁰ Ministry of Housing, Communities and Local Government: National Planning Policy Framework – Draft text for consultation pp. 18

Figure 7: Planning barriers to housing delivery – more than one option could be selected.



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19. Issues affecting small builders include cashflow concerns, often compounded by a lack of access to finance, as well as the sluggishness and complexity of the planning system, due in some part to a deterioration of planning resources available to local authorities. In addition, smaller firms can lack the resources to recruit and retain (on a permanent basis) planning experts, instead recruiting consultants on an ad-hoc basis. This is expensive.
20. Additionally, the lack of up-to-date Local Plans in many boroughs makes it difficult for business to work with the planning system, creating uncertainty, increasing costs and slowing down the decision-making process. As a result, we welcome the stress on the need for local authorities to have up-to-date local plans and the inclusion within the draft revised NPPF of a new requirement that Local Plans must be reviewed every five years.

Permitted Development Rights

21. A growing concern of businesses has been the impact of Permitted Development Rights (PDRs) for office to residential conversions. PDRs have had an effect on the volume of office space within London. Our recent data shows one in five London businesses have moved or considered moving elsewhere in London, or out of the capital entirely, over the past year due to Brexit, rent or business rate rises¹². PDRs contribute to this cost pressure by reducing office space.
22. For example, The City of Westminster has seen an “unprecedented decline” in availability of office space, with an estimated 300,000 square metres of office floor space lost through residential conversions between 2013-17¹³. Analysis shows a further 730,000 square metres are due to be lost through ongoing schemes¹⁴.
23. Between 2008 and 2016, local planning authorities have lost 1.7 million square metres of office space whilst gaining approximately 16,000 residential units¹⁵. Evidence has shown that there is strong demand for industrial space in the capital¹⁶ and so to help retain office and business space, therefore article 4 directives should be used in places where there is an acute shortage of office space.
24. LCCI acknowledges that there is a careful balancing act to be struck to ensure that the housing supply issues are addressed, whilst giving London firms the space to grow, expand and create jobs. It is therefore reassuring that the NPPF is looking at new PDRs for upward

¹¹ LCCI Getting our house in order: The impact of housing undersupply on London business May 2014

¹² [https://www.londonchamber.co.uk/news/press-releases/airports-mess-is-a-political-calculation-that-\(1\)/](https://www.londonchamber.co.uk/news/press-releases/airports-mess-is-a-political-calculation-that-(1)/)

¹³ Evening Standard (Westminster ‘losing office space equivalent to the shard every year’) 19 January 2018

¹⁴ <https://www.standard.co.uk/news/london/westminster-losing-office-space-equivalent-to-the-shard-every-year-a3744346.html>

¹⁵ Ibid

¹⁶ Mayor’s Question Time, Thursday 22 June 2017 Question 2017/2537

http://questions.london.gov.uk/QuestionSearch/searchclient/questions/question_294185

¹⁶ GLA London Office Policy Review 2017

https://www.london.gov.uk/sites/default/files/london_office_policy_review_2017_final_17_06_07.pdf

extensions, which would potentially limit the impact to businesses through lost office space, particularly in central London.

Conclusion

25. Amongst the capital's challenges, fixing the housing crisis is first among them. The NPPF must recognise the scale of the challenge and be bold in its approach to addressing chronic undersupply of housing, not least, we believe, through a fresh look at the role of the capital's Green Belt. An absolutist position on protecting the Green Belt, whatever the evidence says and based on the false premise that all Green Belt is of equal value, does no good to Londoners, particularly young Londoners and our emergency service personnel, who are being priced out.
26. The revised NPPF provides an ideal platform for an honest reassessment of the Green Belt, which is not all lush green fields. Of course, any discussion making mention of 'building' and 'Green Belt' is contentious. However, we believe limited intervention, with suitable safeguards, to make best use of poor quality and undesirable land to help house London's emergency workers is right.
27. LCCI's Property and Construction Committee have recently engaged with the Ministry of Housing, Communities and Local Government on the back of the 'Build Out' review currently been conducted by Sir Oliver Letwin MP. As a result, LCCI would welcome the opportunity to continue its engagement with government on the NPPF, a critical issue for our members and the wider the business community across the capital.
28. LCCI would be happy to clarify or provide further comment on any matter raised within this response.

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