

# County Devolution

## Our Plan for Government 2015-20

### Strategic Planning

#CountyDevo

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[www.countycouncilsnetwork.org.uk](http://www.countycouncilsnetwork.org.uk)

## Background

House prices in the UK have increased by an average of 56% since 2004. The lack of available affordable housing is highlighted by the fact that home ownership has fallen to its lowest level in England for 29 years.<sup>1</sup>

In 2014 118,410 dwellings were completed, despite Government stating that 240,000 new homes a year are required to meet demand in England. Only 200,000+ homes have been delivered in four of the last fourteen.

The issue of accelerating housing construction has been debated by Governments past and present, leading to five revisions to the planning system since the Second World War. These reforms have had little to no measurable impact on increasing the rate of house building to meet the level of demand.

Regional Spatial Strategies (RSS) provided the spatial vision and strategy for each of the Government defined regions in England from 2004-2010. RSS's were viewed by many, including the Coalition Government, as being too distant from communities and imposing centralised decision making on local areas relating to housing numbers.

There is currently a lack of clear strategic planning responsibility, particularly in two-tier areas. Recent legislation such as the Localism Act 2011 and National Planning Policy Framework (NPPF) sought to address this issue and localise decision making on housing and planning through the introduction of Local Plans.

The Localism Act placed a duty on local authorities and other public bodies to co-operate on planning matters. The NPPF reiterates that local planning authorities “*should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected in individual Local Plans*”.<sup>2</sup>

There is limited evidence that the duty has been a success. Local Plans can be a source tension between local planning authorities, public sector partners and key providers such as utilities. This is in part because the duty is not a duty to agree.

One of the main incentives available to local authorities to promote house building is the New Homes Bonus (NHB). NHB aims to encourage councils to grant planning permissions for new dwellings in return for additional revenue. In two-tier areas district councils receive 80% of NHB, whilst county councils receive 20%. It is important to note that whilst the policy driver behind the NHB is to facilitate housing growth. NHB payments are nonringfenced meaning they can be spent by authorities as they see fit, although receipts should be spent “in line with the wishes of the community”.

The ability of the construction sector to deliver 200,000 new dwellings per year is also an area of concern. A London Chambers of Commerce and Industry and KPMG report stated that action is required to address the skills shortage in the sector or housing targets will not be met.<sup>3</sup>

This is a view supported by the Confederation of British Industry (CBI) who stated that housing:

*‘is not just a social priority – it is a key business issue; [the] high cost of moving home, and lack of decent and affordable housing, are barriers to attracting and retaining employees’.<sup>4</sup>*

Action is required to increase the availability of quality affordable housing or households in England will have less to spend and save. Not only will this have a detrimental effect on the local, regional and national economies, it also means that businesses will find it difficult to attract the skilled employees that they need to grow and thrive.

## County Context

The County All Party Parliamentary Group (APPG) found that '*The lack of an integrated approach to planning, investment and infrastructure means decisions take too long and processes for making decisions are complicated.*'<sup>5</sup>

Building on this CCN's *Our Plan for Government* stated 'Investment in new homes must be matched with new strategic planning powers, infrastructure, and transport links tied to the needs of local enterprises'.

In addition, 82% of respondents to CCN's County Devolution Survey showed that members were keen to see strategic planning powers devolved as part of any package of powers and budgets devolved down to counties.<sup>6</sup>

Strategic planning is most complex in two-tier areas where district councils are the designated local planning authorities. County councils have responsibility for planning in relation to waste disposal sites, minerals working and sites for gypsies and travellers.

These complexities are highlighted by the Planning Advisory Service:

*'The planning system places great stress on councils working together to address difficult issues in the absence of statutory strategic plans. To be successful joint arrangements need appropriate support and involvement from elected members'*

There are a number of factors impacting on the ability of counties to influence the placement and speed of housing development in their local areas. County councils are a statutory consultee in two-tier areas in the Local Plan development process. As stated previously the Duty to Cooperate is not a duty to agree and therefore district councils can submit plans to central government without agreement from key

public sector partners. This view is supported by the Communities and Local Government Committee's recent inquiry that found a number of local authorities were finding co-operation on the development of Local Plans hard to achieve in practice.<sup>7</sup>

To counter this some areas have developed formal arrangements to deliver joined-up strategic planning. Examples include the establishment of joint planning committees/boards in areas such as Lincolnshire, Cornwall and West Sussex and memoranda of understanding in areas such as Kent and Cambridgeshire. In Derbyshire the ten local authorities are in discussions to develop a strategic approach to the Duty to Cooperate

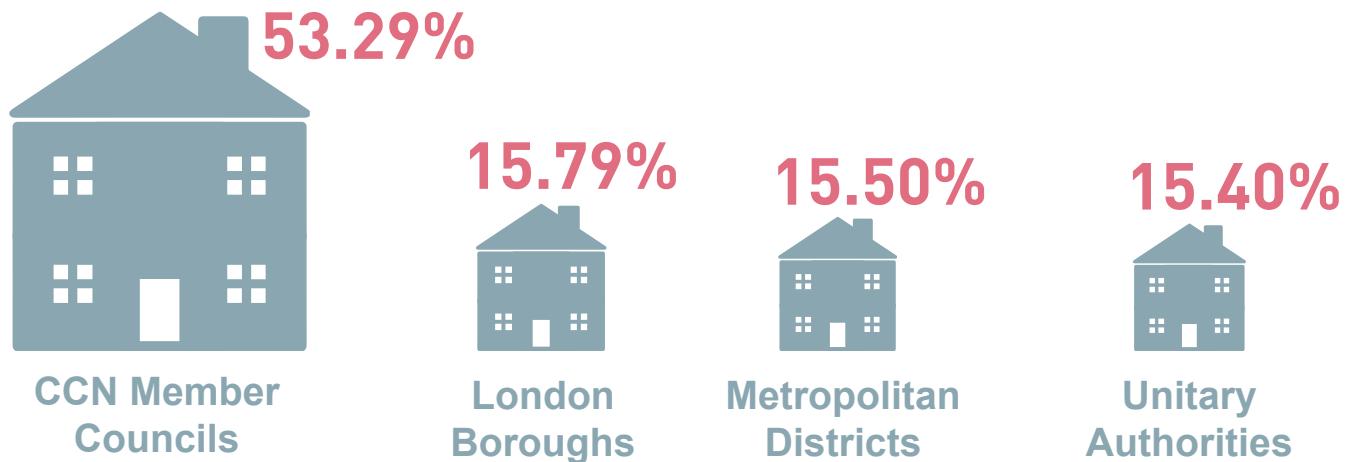
In county unitary areas these issues do not have such an impact as all local government services are delivered under the umbrella of a single local authority.

The County APPG report also found that there is an appetite to lead work to ensure an effective use of public sector assets through the establishment of single property boards that would bring together all holders of public assets and land locally.

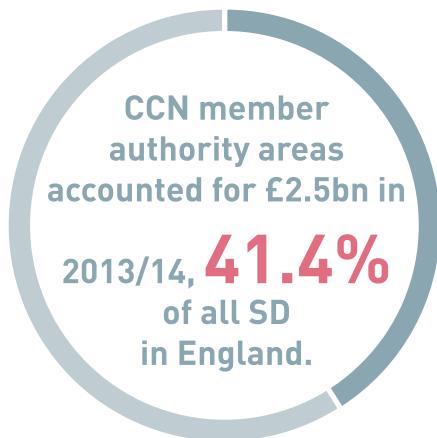
This appetite is further highlighted by the fact that a number of CCN member authorities are currently involved in the Government Property Unit's One Public Estate initiative, supported by the Local Government Association.<sup>8</sup> These include Cheshire West and Chester, Surrey, Worcestershire, Cornwall and Kent.

The next Government must consider how best to free-up local areas to deliver more homes for local people. Strengthening decision making at a strategic level on planning and on the development of public land are a starting point for devolution.

### Housebuilding: Permanent Dwellings Completed 2014<sup>i</sup>



### Per Head Stamp Duty Yield on Residential Property:<sup>ii</sup>



There has been a

**46%**

reduction in budgetary spend on planning and development services in single tiers and county areas from 2010-15.<sup>iii</sup>

## Call for Evidence: Derbyshire

In Derbyshire, the current D2 Joint Committee authorities have recently agreed a strategic approach to the Duty to Cooperate, and this will form an initial cornerstone of their shared approach to joined-up, strategic planning. This will:

- Assure Local Enterprise Partnership and other growth initiatives are not constrained or frustrated by insufficient infrastructure, employment land or housing capacity in priority locations by reflecting spatial implications of Strategic Economic Plans
- Maximise effectiveness of planning and infrastructure decisions on strategic and cross boundary matters. In doing so provide strategic support for strengthening, not undermining, local decision making on major housing proposals; and
- Utilise opportunities for shared resources and savings on evidence base, monitoring and other strategic studies. Transparently enable the adoption of the joint technical studies – such as on Gypsy and Traveller Site Assessments.
- Offer a strategic vehicle for cooperation with bodies such as Local Nature Partnerships to enable Local Plans to reflect their activities and aims.

Experience from Local Plan examinations is that the Duty to Cooperate should have high-level political buy in. The D2 Combined Authority could provide the strategic vehicle for agreeing work, eventually leading to coordinating a ‘strategic issues’ (only) Joint Core Strategy.

This would leave democratic space for free-standing Local Plans focussed on delivery.

Please note this is also currently being considered and is still in the early stages of discussion with partners.

## Case Study: West Midlands

Worcestershire, Worcester City Council, Redditch Borough Council, Warwickshire Police, West Mercia Police, and Hereford and Worcester Fire and Rescue Service have agreed to establish a Joint Property Vehicle (JPV).

The concept of a JPV was developed under the Cabinet Office’s “One Public Estate” Programme, led on their behalf by the Local Government Association, and has attracted funding from the Department for Communities and Local Government, the Local Government Association, the Cabinet Office and the Home Office in order to develop the concept further. Further funding has also been provided

The services that will be delivered by the JPV include strategic asset management, asset data management and hard and soft facilities management.

The partners involved in establishing the company expect to save approximately £58m by 2025.

# Case Study: Royal Town and Planning Institute

Despite the emphasis being put on cooperation between local authorities and business in city regions and counties, our current research into strategic planning around England suggests strikingly few places where agreement has been reached on housing, despite the link between jobs and homes being critical. It is all too easy for a wider area to make energetic plans for economic growth and thereby to benefit strongly from government investment without agreeing to the supporting housing growth, and without paying due attention to environmental and transport considerations.

## The RTPI recommends

- Local authorities should form voluntary groupings in geographic areas of city-region or county scale (normally aligned with Local Enterprise Partnerships)
- Local authorities in these groupings should agree housing numbers and other strategic matters in alignment with Strategic Economic Plans & City Deals

There will need to be continued and deepening cooperation between county and district councils in two-tier areas where counties have already been exercising strategic functions such as transport and taking a key role in LEPs. It however needs to be recognised that even within the framework of LEPs and other administrative arrangements there is a need to overcome the current weaknesses in the level of cooperation. Our diagnosis of this is that there is not enough reason for planning authorities (in particular) to cooperate, and often strong reasons not to. Therefore we propose that

- Central government should drive cooperation forward with strong but conditional incentives in transport, health and skills/ education spending

This would be a much more substantial incentive to collaboration on housing planning than has ever been employed before and would have the additional advantage that it would be focussed on issues related to housing growth. We recognise that currently there is a mismatch with the scale of growth proposed by some LEPs and the housing proposed by their constituent planning authorities. So in return:

- Local Enterprise Partnerships should align economic growth plans with strategic housing provision plans

Whilst our proposals are ones for immediate implementation, a future government with responsibility for England would do well to consider some further steps. These could include:

- Complete coverage of Combined Authorities across England
- Combined Authorities to be coterminous with LEPs and vice versa
- Single deals to replace City Deals and Growth Deals
- Strategic Economic Plans to be signed off by Combined Authorities
- Combined Authorities to have responsibility for various budgets, starting with housing and transport and moving on to education and health
- Combined Authorities to have tax raising (or lowering) powers, probably based on property tax

# Devolution Proposals

Our proposals build upon the policy changes brought about by the Localism Act 2011 and the National Planning Policy Framework. Planning in essence has become more localised as a result of the introduction of Local Plans. However, greater cooperation and more streamlined decision making is required at a sub-regional level. This will ensure that planning decisions on housing development are informed by business needs, infrastructure requirements and the impact on the local environment across a broad geographic area.

Primary legislation is not required in order to necessitate improved strategic planning in the short-term. Local authorities and their partners have a number of tools at their disposal to facilitate improved strategic planning at a local and sub-regional level. For example, some local authorities may wish to develop and sign-up to memoranda of understanding that may include commitments from other local authorities, public sector bodies and government agencies to work in a certain way.

Government for its part has already put in place legislation and funding streams that could be used and strengthened to incentivise councils to work in a more collaborative manner than at present. Through Combined Authorities (CAs) Government has devolved funding streams and additional powers to those councils that have made a firm commitment to working together in a formalised governance structure.

In addition to this central government and local authorities are the owners of approximately £370bn of land and property assets. A key barrier to development identified by construction firms is the availability of land for large scale housing developments. It is vital that Central and local government evaluate their assets and identify sites for development as a matter of urgency. To facilitate locally led efficient decision making, it is vital that Government delegate

decision making on the disposal of assets situated in counties to those local areas.

## 1. Multi-Year Housing Investment Funds

The starting point for the devolution of strategic planning powers will be to provide the conditions for more efficient decision making, greater collaboration and certainty over budgets to stimulate an increased rate of housing construction to provide high quality affordable homes.

The Greater Manchester Combined Authority has received devolved powers and budgets as a result of putting in place a democratically accountable formalised governance structure. As part of this agreement HM Treasury (HMT) has committed to devolve strategic planning powers and control over a Housing Investment Fund.

The Housing Investment Funds will be in place for a period of 10 years and will be provided by a public sector body to the private sector in the form of recoverable loans and longer-term equity. The funding may be recycled within the private sector before returning it to HMT, with local authorities guaranteeing an 80% recovery rate on principal, plus interest earned.

It is vital for the national economy that those areas that do not choose to pursue a CAs as their governance model are not inadvertently penalised to the detriment of their communities and local businesses. There is no reason that in county areas where formal strategic planning arrangements are in place, underpinned by strong accountability structures, that strengthened strategic planning powers could not be devolved along with funding for Housing Investment Funds.

The Royal Town and Planning Institute (RTPI) in their contribution to this report stated that

Government should consider the provision of strong incentives to drive cooperation particularly between county and district councils in two-tier areas. This is something a Housing Investment Fund at a strategic level would provide.

A number of CCN member authorities already have either formal or informal arrangements in place to facilitate close working with key partners to deliver coordinated planning activity. For example, partners in Devon have agreed a co-operation protocol between all local authorities, the Local Nature Partnership, Local Enterprise Partnership, Natural England, Highways Agency and Environment Agency.

CCN believe that Government should devolve the same powers, freedoms and funding for strategic planning that have been given to CAs to county areas that have in place formal structures and strong accountability arrangements. These include:

- **Strengthened strategic planning powers at a county level.**
- **Establishing Housing Investment Funds for a period of 10 years.**

## 2. Sub-Regional Strategic Plans

The devolution of strategic planning powers and increased certainty over funding for county areas should be supported by a strategic level spatial plan to provide clarity over housing numbers and infrastructure within county areas.

In the past Regional Spatial Strategies were developed at a regional level that was considered to be too high level and remote from local circumstances.

Our proposal to develop Sub-Regional Strategic Spatial Plans at a county level for housing and infrastructure would go some way to ensuring

that Local Plans look beyond very local planning decisions and take fully into account larger than local planning decisions. For example, issues such as waste disposal sites, minerals working and sites for gypsies and travellers.<sup>9</sup>

The Royal Town and Planning Institute highlighted in their contribution to CCN that Strategic Economic Plans and the subsequent Growth Deals do not take a holistic view to planning.

*'It is all too easy for a wider area to make energetic plans for economic growth and thereby to benefit strongly from government investment without agreeing to the supporting housing growth, and without paying due attention to environmental and transport considerations.'*

Building on this it is essential that the processes for signing off housing plans is closely aligned to Strategic Economic Plans and Local Nature Partnership Plans (LNPs) are on the whole independent of each other. This current approach is cause for concern.

The majority of counties are of a geographic scale that is similar to that of other key strategic partnerships such as Local Enterprise Partnerships and LNPs. Counties brokering strategic level conversations would provide a conduit by which to meet the requirement set out in the National Planning Policy Framework for local planning authorities to work across administrative local authority boundaries.

The development of a Strategic Spatial Plan would provide a forum for strategic discussions that take into account Local Enterprise Partnership Strategic Economic Plans, Local Nature Partnership Plans and other key issues of importance to communities such as the provision of school places and infrastructure.

The inclusion of key utility providers and other bodies at an early stage of strategic planning would also provide a forum for more efficient decision making and discussions. At present utility providers, such as electricity providers, may be consulted on numerous district led Local Plans. Under our proposals, strategic discussions about capacity and need relating to infrastructure would happen during the development phase of the Strategic Spatial Plan process. The efficiency and effectiveness of this process would be aided by the introduction of Integrated Infrastructure Strategies as proposed in this report. It is hoped that such an approach would reduce delays relating to planning decisions for housing and business developments at a more local level and act as a catalyst for accelerating housing construction nationally.

This Strategic Plan would be similar to the statutory spatial framework agreed as part of the Greater Manchester Devolution Deal.<sup>10</sup> As well as providing a framework for planning decisions across the county area, the proposed Strategic Plans would also guide investment and development decisions. In areas where other governance arrangements, such as CAs, are in place or are developed, partners may decide to develop a strategic plan to cover a wider geographic area.

Some areas may wish to combine strategic level spatial plans for housing with strategic infrastructure plans. Derbyshire County Council has proposed that if a CA is agreed locally that this may be a conduit for developing a strategic issues only, *Joint Core Strategy*.

Importantly the development and implementation of Local Plans and the delivery of the planning function would remain with districts in two-tier areas, with Strategic Plans providing the framework for implementation.

- **Strategic Spatial Plans should be introduced at a county level to agree the housing numbers for the area and supporting infrastructure that will be required to facilitate them. These should be democratically facilitated by top-tier local authorities.**

### 3. Incentivising partnership working

There is an urgent need to evaluate the effectiveness of incentives available to counties and their partners to stimulate an increased rate of housing construction in their local areas. It is vital that incentives for stimulating housing construction are examined collectively with those that incentivise economic growth and supporting infrastructure.

One of the key incentives available to local authorities to grant planning permissions for the building of new houses in return for additional revenue is the New Homes Bonus (NHB). The effectiveness of this Bonus has been contentious issue; particularly in two-tier areas where district councils receive an 80% of NHB, whilst county councils receive 20%.

One of the core aims of the NHB policy is to facilitate housing growth. However, the funding is unringfenced and as such councils do not have to reinvest it in housing or infrastructure. Primarily spending Bonus receipts has been on general council services (60%), keeping council tax low (6.5%) and more worryingly only 10% investing receipts in infrastructure for new housing. With no commitment from any political party to the continuation of NHB beyond 2015-16, it seems unlikely that county councils in particular would be incentivised by NHB to invest in supporting infrastructure to stimulate housing growth.

The 80:20 split of NHB in two-tier areas will have negative net financial impact on county

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councils over the coming years if Government does not review this policy. DCLG's own review of NHB found that by 2014/15 shire counties without fire responsibilities will be £45m worse off, with counties with fire responsibilities £25m worse off. In comparison shire districts were the highest net beneficiaries with net positive financial benefits of £250m for the same period. This level of disparity is inexplicable given that county councils are responsible for the delivery of infrastructure and transport that are vital to facilitate housing construction. In addition to this county councils will experience an increased demand in statutory services such as schools places and social services as a result of new homes being built.

Better collaboration is vital in two-tier areas, with strengthened strategic planning a key facet of this. DCLG's evaluation found that 47% of county council planning officers disagreed that the Bonus had "led to better communication and negotiation between county and district councils in my area with regard to new housing". In addition to this only 15% of county officers agreed that the Bonus had "let to better strategic coordination between county and district councils in my area on new house building", with 48% disagreeing.<sup>11</sup>

Clearly stronger incentives, such as devolved powers and budgets to a strategic level as recommended in this report, are required to improve collaborative working in two-tier areas.

- **Government review and revision of key housing related incentive mechanisms, such as New Homes Bonus, to ensure they promote collaborative working and accelerate housing construction.**

## 4. Rewarding faster rates of construction

To accelerate the rate of housing construction in county areas it is vital that areas are provided with additional finance to reinvest in infrastructure to promote further construction by developers locally.

One such funding stream that could be retained at a local level is stamp duty land tax (SDLT). At present this is retained by Government, despite being collected as a direct result of homes and land being sold at a local level.

This is a view supported by the majority of CCN member authorities. 54% of respondents to the CCN survey on County Devolution wanted to see SDLT devolved as a package of funding of fiscal powers from Government.

Cornwall Council has proposed within their document '*Devolution and Decentralisation- the Case for Cornwall*' that they should be able to retain a share of stamp duty to reinvest in affordable homes. The retention of SDLT over a ten year period would allow Cornwall to fund, in part, the establishment of an ambitious affordable and social housing programme. This is an approach that could be rolled out across all counties who are working strategically to boost housing construction locally.

Outside of county areas, the London Borough of Croydon is in discussions with HM Treasury about their proposed 'growth zone' that includes a proposal to retain stamp duty on new homes within a defined area.<sup>12</sup>

The retention of additional capital funding would allow local authorities and their partners to make strategic level decisions on infrastructure and affordable housing provision. Local areas would rightly be able to retain a proportion of SDLT in high cost areas where affordable housing will be at a premium.

- **Government should allow stamp duty land tax on all new dwellings built in a county area to be retained and reinvested in affordable housing and supporting infrastructure.**

## 5. Local control of the public estate

The availability of land for development is vital to accelerating the rate of housing construction in county areas.

The Confederation for British Industry (CBI) found that less than 10% of England is developed yet house builders of all sizes often struggle to find permissible land for development. In addition to this the CBI found that the public sector owns around 40% of larger sites suitable for housing development.

The public estate (land and property assets) owned by government and local authorities in England is valued at approximately £370 bn, of which it is estimated that £170 bn is owned by local authorities.

A large proportion of central government owned land is situated in counties. However, at present decisions about its future usage sits with Whitehall. If local authorities and their partners are given the necessary freedoms to utilise public assets then this can act as a catalyst for economic growth. For example, by freeing up publicly owned land for housing and industrial development more quickly is likely to increase employment opportunities locally. Increasing the rate of house building and associated commercial construction would also increase the council tax and business rate receipts of local authorities at all levels of local government.

The establishment of the One Public Estate initiative led by the Local Government Association on behalf of the Government Property Unit, highlights that there is willingness

at a national level to release assets and share land and property information across the public sector. The aims of the initiative are to generate economic growth, deliver integrated customer-focused services, reduce running costs and generate capital receipts.

Given the success of the initial pilot and the progress of the second phase pilots in delivering innovative approaches, and in turn savings for the public purse it is vital that such an approach is rolled out nationally. Local areas should be allowed to establish cross-public sector property and delivery boards, supported to undertake cross public sector asset mapping and collaborative working. These should be incentivised through the sharing of capital receipts amongst cross-public sector partners. Such an approach in two-tier areas must be modelled on the geography of the upper-tier local authority to minimise duplication and to facilitate decision making at a strategic level.

Recent analysis by Savills real estate advisers supports the view that releasing Government owned land could provide much needed land for residential development. Savills estimates that 13,000 hectares of central government land is most suitable for residential development and could potentially deliver up to 600,000 homes.<sup>13</sup>

The establishment of a Joint Property Vehicle in the West Midlands shows that there is an appetite amongst local partners to innovate in order to deliver significant savings to the public purse. In addition to this the shared management of assets has the potential to free up land and property for housing and industrial development at a time when accelerating economic growth is both a national and a local priority.

Cornwall Council, in its Case for Cornwall, is seeking devolved powers to pool and invest capital receipts from the public sector estate.<sup>14</sup> In order to remodel the public estate they want to

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pool and reinvest all capital receipts, including those from relinquishing unsuitable health, police and government owned properties.

It is vital that any such initiative is subject to democratic scrutiny. Wherever responsibility and budgets have been devolved from government to a local level there should be a role for frontline Councillors to challenge the strategy and decisions being made by local leaders on behalf on their communities.

- **Decision making powers and budgets relating to government owned public land and property devolved to strategic county areas.**

## REFERENCES

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- <sup>2</sup> National Planning Policy Framework, Department of Communities and Local Government, Paragraph 179
- <sup>3</sup> Skills to Build, LCCI/KPMG Construction Skills Index (London and South-East) 2014, November 2014
- <sup>4</sup> Housing Britain: Building New Homes for Growth, Confederation of British Industry, 2014
- <sup>5</sup> Ambitious Growth Deals for Counties, County All Party Parliamentary Group, June 2014
- <sup>6</sup> Interim Report: County Devolution, County Councils Network, November 2014
- <sup>7</sup> Operation of the National Planning Policy Framework, Communities and Local Government Committee, December 2014.
- <sup>8</sup> One Public Estate: Programme Prospectus, Cabinet Office/Local Government Association, April 2014
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- <sup>11</sup> Department for Communities and Local Government. Evaluation of the New Homes Bonus (December 2014)
- <sup>12</sup>Croydon: Our Time is Now, London Borough of Croydon, 2014
- <sup>13</sup> Public land could deliver as many as 2 million new homes. Savills. November 2014
- <sup>14</sup>Devolution and decentralisation - the case for Cornwall, Cornwall Council, 2014

## INFOGRAPHICS

<sup>1</sup> DCLG. Live Tables on Housing Building (2015)

<sup>11</sup> HM Revenue and Customs. UK Stamp Tax Statistics 2013-14 (2014)

<sup>111</sup> DCLG & LG Inform (2014)



# CCN

COUNTY COUNCILS NETWORK

Founded in 1997, the County Councils Network (CCN) is a network of 37 County Councils and Unitary authorities that serve county areas. We are a cross-party organisation, expressing the views of member councils to the wider local government association and to Central Government departments.

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