Utilities and digital, the planning system, commercial property and housebuilding

Working paper that underpins the built environment sections of *"Getting London back to growth"*

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1. Utilities and digital

A multi-billion-pound programme of investment will be needed in energy and water networks to improve the resilience of the capital's utilities. Ageing infrastructure across water networks will need to be replaced (e.g. the average water main in the Thames Water region is 70 years old) to ensure that London's infrastructure is resilient against threats such as facing the highest increase in the risk of drought or flooding across the UK[1]. And the capital's energy networks will need to support the transition to net zero. London's energy networks are already responsible for supplying infrastructure to 25% of the UK's electric vehicle charge points[2] and the Mayor has made further installation of rapid charge points a priority.

The capital's new telecoms infrastructure is also well behind its international competitor cities: London's full fibre coverage stands at just over 16%[3], well behind international counterparts – some Asian cities, for example, have nearly 100% coverage[4]. Similarly, London urgently needs to ensure that its 5G infrastructure, which is vital for the internet of things as well as mobile data connectivity, is fit for its world city status.

The Government had made national infrastructure improvement one of its signature commitments before the pandemic struck and business across the country, as well as in London, looks forward to the publication of its national infrastructure strategy. Such national frameworks and investment programmes are the critical determinants of London's infrastructure. However, in the wake of the coronavirus crisis, there are several steps that could be taken to ensure investment continues to flow into the capital's utility and digital sectors, which play a crucial role in facilitating the wider growth of the capital. These include:

- Prioritising works on red routes: When the coronavirus crisis hit, many major utility work sites had to be closed due factors such as problems securing accommodation for workers and local authorities not permitting access to sites. As these problems have eased, and while London's roads are quieter than usual, the GLA and TfL should be working with utility companies to complete works on normally busy red routes, which could reduce future disruption on London's roads.

- Launching the postponed pilot of the GLA's utility/developer coordinator service: The piloting of this service was understandably delayed due to COVID-19. This should commence at the earliest opportunity as better coordination between developers and utilities will speed up development activity and aid the capital's economic recovery.

- Speeding up rollout of full fibre and 5G: While London's existing digital infrastructure has coped well during the crisis, it has reemphasised the

[1] See National Infrastructure Commission, National Infrastructure Assessment, 2018
[2] London Assembly, Mayor sets out plans for London's electric vehicle future, June 2019
[3] https://labs.thinkbroadband.com/local/london
[4] PWC, Cities of Opportunity 7: London retains the top spot, 201

importance of having a 'connected London', particularly as dependence on digital services will only increase. Speeding up the rollout of full fibre and 5G must be prioritised by spreading best practice across London's boroughs in the application of rules, permits, street works and parking charges. In addition, local authorities should seek to put in place wayleave agreements for all the housing stock they own and make the process easier in general for homes they don't own by promoting the standardised wayleave agreements produced by the City of London Corporation and the GLA. Action at a National level will also be required to incentivise the deployment of fibre, including reforms to the business rates regime.

2. Planning

The particular issues facing housing and commercial development are discussed below. But both rely on the planning system facilitating growth in London, with the capital able to set a pan-London spatial plan in the form of the London Plan. However, with three sets of planning rules to take account of (central government, the GLA and boroughs) making progress with development in London in normal times is not without its challenges. To support growth in these challenging times and to continue to deliver the world-class places London is synonymous with, the planning system must show flexibility, both in terms of the structure of new permissions and their accompanying planning obligations. Across the country, but particularly in London, local planning authorities have quickly adapted their processes to move online and the Government has already issued welcome guidance on planning. However, further support is likely to be required as outlined below.

- Quick adoption of the London Plan: Providing certainty on the development plan against which planning decisions will be assessed will help to build confidence and minimise risk for developers. It is therefore imperative that the Mayor and the Government work constructively and quickly together to adopt the new London Plan.

- Extending the time limit on permissions: An automatic extension of time to extant planning permissions that are due to expire over the next twelve months to support the development industry in bringing schemes forward for implementation.

- Speeding up the process to make changes to an extant planning permission (S96a 'non-material amendments' or S73 'material amendments'): The current regulations were introduced following the financial crash as a temporary stop gap and have never been updated. Subsequent case law has restricted the process by which such changes can be made, and applicants now follow a convoluted route via S96a and S73 to change anything that affects the description of development. Development in London is almost always undertaken on urban, brownfield sites, which pose a series of complex challenges both in terms of construction and planning. The need to make changes to approved schemes will inevitably increase as developers try to re-work permissions to make them deliverable and respond to changes in market conditions, from re-working a dwelling mix to replacing a material that can no longer be sourced. Given the current economic uncertainty, providing a simple mechanism for such changes would keep planning permissions alive and boost construction activity, without the significant costs, time delay and uncertainty of having to submit a concurrent S96a and S73 application, or a whole new application. As a short-term measure the standard 1APP planning application form should be amended to have two descriptions of development: (1) a high-level description using development parameters for inclusion on the decision notice, which would be supplemented by a planning condition containing the detailed development metrics that could then be easily amended through S73; and (2) a more detailed description for use on consultation correspondence including all the development metrics so that the community and other stakeholders fully understand what is proposed.

- **Focussing on the viability of development:** Previous recessions have severely curtailed London's development pipeline, and while the broader health of the economy is a driving factor behind this, the application of planning policy playing can also play an important role in helping development to come forward. The Government has already issued welcome new guidance on the Community Infrastructure Levy (CIL) and planning obligations and must bring forward the revised CIL regulations as quickly as possible, as well as considering extending CIL deferrals beyond SMEs. At the London level, this guidance must be followed, but additional steps might also be required. Specifically, City Hall must ensure that it has the resources to process applications when more schemes will inevitably have to negotiate their affordable housing provision via the Mayor's Viability Tested Route, as well as dealing with complex early and late stage viability reviews during a scheme's construction.

3. Commercial property

Commercial property plays a vital role in the London and UK economy. In the capital alone it generates £8.36 billion of business rates annually (c.35% of the total business rates in England) and £459 billion of GVA (equivalent to c.24% of the UK's total output)[5]. It facilitates economic growth by providing the spaces we work, shop and store goods in, while also shaping the way Londoners enjoy the city by providing the spaces where we socialise and spend our leisure time. London's commercial property and the places that are curated around them are an important part of the Capital's appeal, helping to make it one of the few truly global cities. Prior to the pandemic, structural changes were taking place in the market such as the movement to online retailing, the growing importance of industrial space to support last mile delivery, and the evolution of the traditional office environment. It seems likely that the pandemic will accelerate these structural trends which in turn will impact on the growth of London's business districts,

[5] 'Good Growth for Central London: Analysis of the CAZ+ from 2020 to 2041', London Property Alliance and Arup: March 2020

town centres and high streets. Steps must be taken now to put in place the right policy framework to help shape these changes and bolster the delivery of London's commercial property market.

- Reform to Use Classes Order: As set out in our Planning Manifesto for High Streets and Town Centres earlier this year, there is an urgent need for reform of the Use Classes Order to provide greater flexibility for town centre uses, including a 'catch all' use class for town centre uses including retail, business, leisure, cultural and community uses in the current use classes of A1-A5, B1, D1, D2 and sui generis (e.g. nail bars). To reduce vacancies (especially in A1 shops) and give high streets the flexibility they need to adapt and recover, this must be expedited.

  Changes to the Use Classes Order will require legislative reform, so in the shorter term it would be helpful to get a direction from the Government and the GLA to local authorities to ensure a positive planning climate to support all forms of development for town centre uses and encourage joint working between local authorities and the private sector. Some further permitted development rights could be introduced to allow temporary change of use to other town centre uses without the need for planning permission. The licensing regime would still provide the mechanism to protect any perceived harm to residential amenity.

- Specific temporary flexibility in use: The recovery for the tourism and hospitality sectors will take longer than others because of the current restrictions in place, the speed at which they will be lifted, and the broader confidence that will need to return to both domestic and overseas tourism. The buildings which underpin these sectors such as hotels should be allowed temporary flexibility to change use, or to accept a wider range of occupants, to sustain some economic activity where it is possible for these buildings to safely accommodate such changes. This should also apply to Purpose Built Student Accommodation given that many students will not be accompany their accommodation until universities are able to return to normality.

- Investment in the public realm: Public funding should be utilised to leverage private sector investment in the public realm to ensure, where appropriate, the Streetspace projects to improve pedestrian and cyclist safety in London can be retained for the longer term and bring wider environmental benefits. To support this and maintain infrastructure funding in the short-term, local authorities could be encouraged to invest existing unspent CIL receipts, which have been collected but remain unallocated.

- Introduce a Furloughed Space Grant Scheme: With less rent expected to be collected at June's quarter day than the previous quarter, the Government must take action now that recognises the interconnectedness of the commercial property market and the need to support businesses' property costs. For landlords, payments to lenders need to be made and insurers and pension funds are reliant on their investments to generate income to match their obligations. We back calls by the British Property Federation, British Retail

Consortium and Revo for the introduction Furloughed Space Grant Scheme that would see the Government cover the fixed costs, on a sliding scale, of businesses that have experienced dramatic falls in turnover.

4. Housebuilding

Housing supply in London has failed to keep up with demand which has not only restricted Londoners housing choices but also made it difficult for businesses to recruit and retain talent. 66,000 new homes are needed every year in capital to meet demand, but only 32,000 new homes were built in 2017/18[6], and starts on private homes fell by 31% between 2017-2019[7]. In addition to the existing structural challenges that have constrained housebuilding in London such as land supply and the lack of affordable housing grant to name but two, London's housing market had already been subdued by the uncertainty that surrounded the UK leaving the European Union. Facing the prospect of an extended downturn brought on by the pandemic, a range of actions will need to be taken to ensure that construction continues and demand for new homes, whether to rent or buy, is supported.

- Maintaining certainty in the market by extending Help to Buy: In a normal housing market the Government's move to wind down the Help to Buy Scheme makes sense, but given the precarious state of the economy it is essential that the existing Help to Buy Scheme is extended for the foreseeable future. In 2018, just under 42% of new build properties in London were supported by Help to Buy[8]. Extending the existing scheme will underpin consumer confidence, giving housebuilders in turn the confidence to continue construction activity.

- Pausing the introduction of new housing products – First Homes: Notwithstanding the points of detail that make the proposed introduction of First Homes a challenge in the capital, now is not the time to introduce a new housing policy that will have far reaching implications on the delivery of affordable housing and development in general. First Homes will cause significant uncertainty in housing delivery in London therefore its introduction should be paused until the housing market is on a more stable footing.

- Boosting the supply of affordable homes: In previous downturns, focussing on boosting the supply of affordable housing has helped to support the wider housebuilding industry as well delivering the affordable homes that London so desperately needs. Analysis suggests that London needs £4.9bn of housing grant a year to deliver the number of affordable homes it needs[9]. This, compounded by the fact that it is likely that the numbers of affordable homes provided through section 106 contributions will come under pressure as a result

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[6] London Plan Annual Monitoring Report 15 2017/18, GLA, October 2019
[7] Savills presentation to GLA London Housing Delivery Taskforce, April 2020.
[8] See https://www.nao.org.uk/other/the-help-to-buy-equity-loan-scheme-data-visualisation/
[9] See The 2022-2023 Affordable Housing Funding Requirement for London, GLA and G15, June 2019.

of the current economic environment, means that Government must redouble its efforts in this area by:

  - putting in place a new and bigger Affordable Housing Programme in London;
  - providing long term certainty over how affordable rents will be increased; and
  - if the market reaches particularly low depths, instigate a buyer of last resort programme to support housing associations and councils purchasing unsold market homes at cost.

- Flexibility on grant, procurement and Right to Buy receipts: Existing rules across these three areas should be made more flexible to help maintain market momentum:
  - for the remainder of the existing Affordable Housing Programme in London, the GLA should introduce flexibility about when grant is provided and when milestones must be met;
  - likewise, GLA and borough housing procurement timescales may need to be extended in the light of current crisis; and
  - all restrictions should be removed on the use of Right to By Receipts and a higher percentage of the receipts should be retained by local authorities.

- Supporting Build to Rent as a catalyst for growth: The early signs are that the BtR sector has remained resilient during lockdown, both in terms of rent collection and appetite to invest in future development. The potential exists for BtR to catalyse development activity in general and particularly on large sites where its introduction will increase the variety of housing on offer without interfering with the market for the existing for-sale homes. The GLA could support the growth of BtR by:
  - facilitating bulk sales of unsold housing stock, supported by the use of affordable housing grant where viability is a problem;
  - acting as a broker and utilising the full range of its wider planning and land powers to match BTR investors with landowners/developers that have large, stalled developments;
  - updating the overall BTR planning framework to encourage boroughs to plan proactively for BTR developments, where possible harnessing the potential for partnerships that can provide an ongoing revenue stream to a borough; and as part of the updated framework; and
  - setting out a financial review process for BTR schemes based on the bespoke investment model for the sector and not on the process used for for-sale housing.

- Reduction in SDLT: In the worst-case scenario, if demand for housing does not recover, the Government may need to consider a temporary galvanising intervention to stimulate transactions such as reducing the rate of SDLT and exempting the forward purchases of BtR developments from the 3% surcharge, a measure for which BtR was not the original target. Any action taken would seek to cut SDLT to generate more transactions that would have otherwise occurred if no change had been made.