

CMA Planning Working Paper comments from the Federation of Master Builder (FMB)

01.12.23

About the FMB

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry. For over 80 years it has been representing the interests of micro, small and medium-sized (SME) construction businesses. Around 30% of the FMB's 7,000 members identify house building as a service they offer.

For clarity questions we haven't answered have been removed from this response.

Analysis of the GB planning system (Section 4)

Question 4.1

1. Do you agree that planning risk is a key issue for the planning system?

Yes. This issue is particularly felt by SMEs regardless of plans being in place as small sites as they are not identified even with a local plan in place. The provision in the NPPF for small sites to be identified, has not worked with the FMB House Builders' Survey consistently showing that the majority of members don't feel this has made a difference. In 2023, 59% of members indicated that paragraph 69 is not driving new sites. Furthermore, the majority of FMB house Building members identified that small sites opportunities are decreasing and that the process to obtain planning for them is getting worse¹.

2. Do you agree with our analysis of the causes of the uncertainty in the planning system and how they contribute to under delivery of housing?

Yes. In 2023, our members indicated that the planning system is the biggest barrier to delivering new homes². The most significant issues within the planning process were cost caused by delays in the system, followed closely by excessive information requirements and overall complexity of the system and consultancy costs. Understandably, SMEs that have cash flow business models and little administrative capacity will be heavily burdened by complexity and additional costs imposed by the planning system.

What is also worrying is the lack of certainty that even after deploying money and resource is that there is no guarantee of a positive outcome in the planning system. 45% our members reported that they only have a medium certainty in the planning applications positive outcome with 32%³ saying they had a low degree of certainty.

3. Are there any other factors that we should consider?

Other factors should be the ability of planning teams to effectively deliver for planning applications. Our members have indicated the biggest factor causing delays in the planning system is inadequate resourcing of planning departments. Second to this was inadequate communication from planning officers⁴. We have heard anecdotally from many members that

¹ FMB House Builders' Survey 2023

² Ibid.

³ Ibid

⁴ Ibid

a short phone call or online meeting with their assigned planning officer to address concerns or misunderstandings could have saved months in planning delays. There appears to be a reluctance to engage in this contact and we have heard an over reliance on emails to discuss complex issues.

Question 4.2

1. Do you agree that the current level planning, policy and regulatory costs could threaten the viability of development at some sites? To what extent do you think that this is currently happening? Are some sites and areas more at risk than others?

Yes. This is clearly an ongoing and significant issue. Nearly half⁵ of our house building members are not developing sites they would be interested in due to Section 106, CIL or other similar financial obligations as these sites will be unviable as a direct result of these costs. Given the wide spread of sites that these members would develop on it would be hard to pinpoint an exact site type, other than it very likely being a small site with less than 10 units.

2. Do you agree with our analysis that shows the length and complexity of the planning system may contribute to under delivery of housing?

Yes. As discussed in question 2 in section 4.1, it is very clear that delays in the planning system and complexity are significant factors for SME house builders in not delivery housing.

3. Do you agree that we have identified the key causes of delays in the planning system? Are there any other factors that we should consider?

Yes. However, the issues with resourcing are nuanced in the way they impact SMEs. It would seem that the most significant impact is the inability to be in regular contact and to explore problems directly (as discussed in question 3 of 4.1). SMEs prefer direct contact to solve issues encountered in the planning process, they have made this clear to us. They have also indicated to us that because they are not made aware of progress on a decision as planning officers rarely communicate effectively; this means that they struggle to put plans in place for their next steps on a development.

2. Do you agree that in some the planning system lacks internal consistency within its objectives, meaning that LPAs may be insufficiently focused on meeting housing need?

While we do not capture data on this, we invite written statements from members during for our House Builders' Survey. There was a clear thread in these written submissions that the planning system should have a level of standardisation. SMEs are particularly impacted by a lack of consistency as they are geographically locked into a local planning authority, so poor practice or onerous planning requirements that would impact a company has a very direct effect as they cannot move to another location to ensure that they can build homes. This also causes issues with potential expansion of the company, as they possess limited administrative and internal planning capacity dealing with multiple planning authorities with differing planning regimes stifles expansion of the business.

⁵ FMB House Builders' Survey 2023

Question 4.4

1. Do you agree with our analysis of how the planning system may be having a disproportionate impact on SME housebuilders?

Yes. However, it doesn't consider the effectiveness of planning officers, which may well be caused by resourcing issues. FMB members have consistently identified that the second most significant cause of delays in the planning system (behind resourcing of planning departments) is poor communication from planning officers⁶. Due to the increased burden and complexity of the system, we feel planning officers should be spending more time with SMEs, particularly to help them overcome the disproportionate challenges they face.

There is also little exploration on small site availability and identification of these sites by local authorities. Members have also identified that obtaining planning permission for small sites is getting worse⁷.

2. Do you agree that we have identified the key issues faced by SMEs due to the planning system?

See answers to question 1 of 4.4.

3. Do you consider that the current planning system is incentivised to deliver housing on larger sites? If so, what are the implications of this for the housing delivery?

The current planning system and policy making regime is better suited to larger scale housing delivery. The planning policy regime when consulting externally will hear predominantly from companies that have the resource to allow them to respond, in many cases large scale developers with in-house planning expertise. SMEs are reliant upon their trade bodies to represent them in a policy capacity.

Planning committees, from anecdotal evidence do, tend to favour larger sites. This is because it is easier for planning committees to sign off one large site, than lots of small sites, each with their own complexities and neighbours that require consultation. Larger developers also have financial resources to allow them to employ planning and communication agencies to promote a development to the local community and councillors on planning committees. This practice is very rare among smaller house builders, who do not have the finances to fund such practices.

4. Are there any other aspects of the planning system that have an impact on SME housebuilders that we should consider?

Another area to consider is the impact of future regulations on delaying site delivery. Over half of members⁸ have reported that they have experienced delays when connecting to the electrical grid and around a third⁹ have had to request a reinforcement to the grid to support equipment required (or to be required) under new regulations, such as e.v chargers and heat pumps.

⁶ FMB House Builders' Survey 2023

⁷ Ibid

⁸ Ibid

⁹ Ibid

Options for reforming the planning system (Section 5)

Question 5.4

1. To what extent would increased planning fees materially affect the viability of certain developments? Are there particular circumstances where this is likely to occur?

An increase in costs is likely to disproportionately affect SMEs owing to their business model. As noted in question 1 of 4.2 nearly half of members are finding that sites are already unviable due to other obligations, such as section 106. We are aware that many larger developers were in favour of planning fees increasing to help fund increased planning resource. Our members understand that planning fees may result in increased planning resource. But struggled to see a better or more resourced planning system when fees were increased in the past, so have not been in favour of increased fees, or at the very least have suggested that fees are ring fenced to planning departments.

Planning fees would also be an additional cost on top of general cost rises, 53% of members noted that since 2022 sites are 20% more expensive to deliver with 1 in 5 saying they are around 30% more expensive.

Question 5.5

1. What measure would be most effective in supporting SMEs to navigate the planning process effectively?

Aside from reform to the planning system to make it more accessible and manageable for SMEs, dedicated planning resources for SMEs in local planning authorities would be a positive step forward. This would enable better one on one time that members note would speed up the process and it would recognise the difficulties SMEs have when navigating the planning system. It would also make it easier for micro business that are starting to build homes to enter the market, this would be a step towards helping to diversify the market.

We would also encourage that small sites are properly identified by giving the NPPF provisions weight to effectively ensure that local planning authorities are identifying small sites. Given that the lack of available land is consistently a major barrier for SMEs this is an area that could be simply addressed. Currently, small builders have the additional hurdle of finding windfall sites, often through very literal means of meeting estate agents, talking to landowners and walking around towns, when their larger counterparts may have sites identified for them in local plans, or have significant resources to find suitable sites in house.

We would suggest to help encourage more micro firms become full time house builders that financial options be made available for them. Micro firms tend to offer house building as a suite of building services and don't necessarily have the capital to expand into a full-time house builder. This is particularly the case when using funding from Homes England as they do not have the required track record to pass through the application process required by Homes England. It would be a positive step to help diversity the market for suitable Homes England funding to made available to kick start micro businesses into full time house builders. We have suggested that the FMB could be a guarantor of member companies in this position as they have already passed through financial checks and other background screening to ensure the company is well run and financially stable.

