

## Response:

# Development Corporation reform

## National Housing Federation response

**20 December 2019**

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The Ministry of Housing, Communities and Local Government recently consulted on reforms to development corporations, seeking suggestions on how to incentivise greater private sector involvement, and the powers available to different kinds of corporation.

Development corporations have a varied and extensive history in the UK, notably the new town development corporations established to deliver places such as Milton Keynes and Telford. In more recent decades, urban development corporations have been used for major regeneration programmes, and mayoral and locally-led corporations have been enabled.

### Summary of our response

The Federation agrees with the Government and others that development corporations can be a powerful and purposeful means to drive major development and regeneration in a variety of settings. A number of reforms could enable more, and more effective, corporations to be established, including:

- Greater involvement of housing associations in strategic roles, drawing on the sector's blend of private sector status and social purpose. Our long-term commitment to places and communities, experience of major development and regeneration programmes, and expertise in various forms of partnerships and joint ventures should be a valuable element in corporations' management and operations.
- Development corporations need clearer and simpler access to the full range of planning powers required to plan and deliver successful places. In view of the diverse and complex nature of the places and tasks to which they are applied, however, a 'one size fits all' model should be avoided.
- Incentives to initiate development corporations and to fund necessary upfront investment to make them effective need to be much greater. The burden of much of this work tends to fall on those parts of local authorities which have bore the brunt of austerity.
- There is a range of planning-related reforms which would apply in all areas but which could be of particular use to development corporations. The Federation will work with others to promote these through the forthcoming planning white paper and other means.

## 1. Introduction

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The Ministry of Housing, Communities and Local Government recently consulted on reforms to development corporations, seeking suggestions on how to incentivise greater private sector involvement, and the powers available to different kinds of corporation.

The Federation's response is set out below.

## 2. Federation response to consultation questions

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**Are there measures that you would like to see implemented to further facilitate private sector involvement and investment in development corporations? What changes would you like to see?**

We believe corporation membership should be considered on a case-by-case basis, according to the specific objectives and characteristics of the corporation, its objectives and the area served. The private sector undoubtedly offers invaluable skills and experience but – given the scale of changes development corporations can oversee – democratic accountability and public participation must be paramount.

Within transparent limits on the extent and nature of private sector involvement, we think there is significant potential to increase the representation of housing associations in strategic roles in development corporations. Housing associations are private enterprises with social purpose (reinvesting surpluses, rather than paying dividends). They are currently responsible for over one-fifth of all new homes in England, achieved through their own construction or through acquisition of affordable homes secured via Section 106 agreements.

Housing associations are committed to places for the long term through their ownership and ongoing management of homes and wider support for communities (see, for example, [our Great Places programme](#)). This contrasts with the than 'sale-and-exit' approach of most housebuilders.

A further difference with sale-focused developers is that our developments are less constrained by the 'absorption rate' of a single market sale tenure (and often house type too) favoured by most for-profit developers. Our multi-tenure approach to most developments targets multiple markets, particularly sub-market rent, encourages faster build out rates and more balanced communities. We can also act counter-cyclically with support through the likes of the Affordable Homes Programme, which the new Government has committed to continuing.

Finally, many of our members are expert 'placemakers'. Our long-term commitment and social purpose means that – particularly in areas where we have a high concentration of homes – we have developed skills in creating and nurturing all the elements of sustainable, successful places. Such a holistic approach is demonstrated by our role in promoting new settlements such as Gilston (near Harlow), urban extensions such as North West Bicester (Oxfordshire) and Barking Riverside (London), and regenerating existing estates and neighbourhoods like those underway in Thamesmead (London).

For all the above reasons, we think there is a strong case for a more strategic role for housing associations in the development and oversight of development corporations. This role has not been fulfilled to its potential in existing corporations. Reasons for this might include:

- Lack of clarity over which housing association should lead. Multiple housing associations may be active in an area but leadership in different topic areas can be brokered through sector partnerships, such as those that exist in metropolitan mayoral areas (e.g. the G15 in London, the Greater Manchester Housing Providers, or West Midlands Housing Association Partnership).
- Timeframes not aligning with typical housing associations' planning and delivery timescales. Unlike other residential developers, housing associations tend not to speculate or landbank over long periods. Government policy and financial support programmes – which are a major influence on our activity – have relatively short timeframes and discourage very long-term planning ahead of development.
- Perceptions of extensive commitment for unclear reward. To avoid actual or perceived conflicts of interest, private interests must not be seen to profit unfairly from the influence they gain as – for example – board members on development corporations. Conversely, relying purely on private altruism and those who have spare capacity limits the pool from which development corporations can draw.

The Government might consider whether further guidance on different ways in which mutually beneficial private sector involvement can be secured. This might be through more task-specific or time-limited roles, or stronger consultative processes nevertheless requiring less commitment from private organisations.

**Are the existing models of development corporations sufficiently broad in scope to allow for the types of development that local areas wish to pursue? Are there any barriers to the uptake of existing models? If so, what sort of change do you think is needed?**

We think that the full spectrum of powers available to different development corporations should be available to all the various models (or their successor model(s)). Plan-making, development management, compulsory purchase and developer contribution powers should be available subject to appropriate safeguards, unless the case is outweighed by counter arguments in any particular case.

We perceive two broad barriers to the uptake of any development corporation models:

- Firstly, the upfront resources in time, money and skills/experience required of likely partners. The burden of making the case for and establishing a development corporation tends to fall on local authorities. They have seen a major reduction in capacity in recent years, [losing almost one-third of their posts](#).

Resource constraints tend to be more severe in those places and services the Government says it wants to encourage to adopt corporations. The Secretary of State said the recent [development corporation funding competition](#) was to help “drive economic growth outside London and the South East”. Yet Northern councils' housing spend [fell by 84% in real terms](#) between 2010/11 and 2017-18, compared with 43% in the rest of the country. The National Audit Office estimated that local authority net [spending on economic development](#) fell by 68% between 2010/11 and 2015/16, while only 5% of the Local Enterprise Partnerships (created to replace Regional Development Agencies) agreed the resources available to them were enough to meet government expectations.

We notice, too, that [almost 50 proposals](#) for new garden towns and villages exist, some relatively advanced – but hardly any have committed to a development corporation approach. In addition to the considerable resources required to pursue a development corporation approach, we perceive that the risks of failure due to legal, political or other challenges are also considerable.

- Secondly, political reticence, particularly in areas where greenfield development is proposed (which may also explain some of the slow take-up of development corporations outside regeneration areas). Local authorities may be reluctant to be seen to be championing major new development. Further, a perceived lack of local accountability may reduce the attractiveness of a corporation model.

**Do you agree that all development corporations should have the ability, where appropriate, to exercise the plan-making and development management functions of a local planning authority?**

We agree. While being wary of creating and imposing a single 'one size fits all' development corporation model, the ability to secure plan-making and development management functions seems sensible.

Conversely, there may be situations where there are good reasons to withhold some powers in order to address specific local issues. Where confidence in a corporation (e.g. in its transparency and accountability) needs to be nurtured over time, it may make sense to start with limited powers and add others at subsequent points.

**Do you agree that all development corporations should be able to secure contributions from developers using a range of mechanisms, such as CIL, SIT and Section 106 planning obligations, where they have taken on the corresponding planning powers from the local planning authority?**

We agree that the full range of planning powers, including developer contributions, should be available to development corporations where appropriate.

Again, we would caution against a 'one size fits all' approach: different situations call for different types of corporations with different powers. A large, free-standing new settlement's corporation may merit full local planning authority powers. Conversely, a town centre-focused corporation operating in a small area tightly woven into a surrounding settlement may not be suited to such powers (e.g. the required infrastructure improvements actually lie outside the corporation's boundaries).

Hybrid models may also work where the corporation can collect contributions for certain purposes but not others (e.g. along the lines of district and county arrangements). Whatever solutions are selected, the task should dictate the tools, rather than the reverse.

Finally, we would note that the scale of resources likely to be available through these mechanisms is unlikely to be anywhere near the scale required to drive effective implementation of many likely corporation schemes. Major funding is likely to be required upfront.

**Are there any other measures relating to planning powers and/or increasing the efficiency and effectiveness of planning in development areas designated to be overseen by development corporations?**

We consider that any local planning authority power could potentially be available to a development corporation subject to circumstances. Beyond existing powers and practices, development corporations could provide test beds for some of the new approaches expected in the Accelerated Planning White Paper.

We have identified [a number of improvements](#) to the planning system – often good practice in some places already – which should be mainstreamed across all planning authorities and are due to discuss these with Ministry officials in the new year.

There may also be elements of the nationally-significant infrastructure project (NSIP) regime which could be extended to assist the work of development corporations, perhaps broadening the scope of

NSIPs in designated areas or even allowing corporations to process such applications. The ability to combine multiple consents into one process through a front-loaded, timebound process is an appealing one – although new town, urban extension or town centre regeneration is [much more complicated and malleable](#) than most items of infrastructure.

**Are there any other measures relating to development corporation powers that you would like to see implemented?**

A more comprehensive review of the experience and future roles of development corporations, as well as clearer review of existing research such as undertaken by the Town & Country Planning Association, should prove valuable.

Reform of compulsory purchase legislation would be of wider benefit but could be particularly useful for development corporations. Reform of this complex legal structure is long overdue.

Also of wider application but with particular potential for development corporations would be a more effective approach to the disposal and redevelopment of public land. The National Audit Office and others have pointed out significant shortcomings in the current approach, particularly with reference to affordable housing.

Finally, there is much to learn from 2018's [Independent review of build out](#): development corporations could be well suited to adopting some of the recommendations included.