

# Sustainable development? – making best use of brownfield land and empty buildings

Report of the Auditor General for Wales

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# Summary report

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## Context

- 1 Sustainability is central to Welsh planning policy. With greater levels of demand being placed on natural resources, national and local government need to balance addressing demand with environmental protections to help reduce the impact of the climate crisis. This is challenging.
- 2 Once developed, land is unlikely to ever be converted back to greenfield use and its loss can devastate natural habitats. For agricultural land, there is also an impact on food production and its associated employment. Consequently, the Welsh Government promotes the use of previously developed land and repurposing of empty buildings, wherever possible.

### Box 1: definition of previously developed land

Previously developed (also known as brownfield) land is that which is or was occupied by a permanent structure and associated fixed surface infrastructure.

This excludes some land, such as:

- land or buildings used for agricultural or forestry purposes;
- undeveloped land, such as parks or golf courses; and
- land where the remains of any structure or activity have blended into the landscape over time so that they can reasonably be considered part of the natural surroundings.

Note: This is a shortened summary of the definition. For the full definition, please refer to Planning Policy Wales.

Source: Welsh Government

- 3 However, brownfield sites can be more difficult to remediate. When building on a brownfield site, there is likely to be a higher risk of barriers when compared to a greenfield site. Where sites are in former industrial areas contamination and potential remediation costs can make cost a barrier, even if the site is served by infrastructure, such as roads or utilities.

## Key findings

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- 4 This report examines how Welsh councils are supporting and encouraging repurposing and regeneration of vacant properties and brownfield sites into homes or for other uses. We focus on the barriers facing councils and their partners, but also highlight opportunities to learn from elsewhere. The Appendix gives more detail about our approach and methods.
- 5 We looked to answer the question: **‘Are local authorities doing all they can to support and encourage vacant, non-domestic properties and vacant brownfield sites being repurposed into homes or for other uses?’**.
- 6 We concluded that, despite notable amounts of brownfield developments being delivered by councils, regeneration could be increased significantly with a more systematic, interventionist, and collaborative approach. By drawing on successful approaches elsewhere and more focused planning, councils could be better equipped to overcome significant barriers.
- 7 In reaching this conclusion, we found:
  - councils have a broad but not comprehensive understanding of the built environment and potential for regeneration.
  - while some regeneration is being delivered, the focus is still on ‘easier’ to achieve projects and councils are not always taking an ambitious, interventionist approach to tackle long-standing barriers.
  - councils are able to name barriers to brownfield regeneration and repurposing of empty buildings but are not utilising learning from elsewhere to overcome them.
  - it is challenging to measure progress in delivering brownfield regeneration due to weaknesses in data and its management.

# Recommendations

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- 8 Our recommendations are set out below. We expect the Welsh Government and councils to consider our findings and recommendations. We also expect each council's governance and audit committee to receive the report and monitor their response in a timely way.

## Exhibit 1: recommendations

### Recommendations

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#### Councils

- R1 To enable stakeholders to assess potential sites councils should create a systematic process to find and publicise suitable sites for regeneration:
- this should draw on data already held by councils, as well as external data sources to develop a composite and more complete picture of sites; and
  - where known, key barriers should be named to help efforts to overcome them.
- R2 To help ensure that regeneration activity and the shaping of the environment is informed by the needs of communities Councils should increase opportunities for community-based involvement in regeneration, both in plan-making and actual development.
- R3 To provide focus and impetus to developing brownfield sites Councils should review their current regeneration approaches and where appropriate set clearer, more ambitious regeneration policies and targets. Together these should:
- set out the approach and expectations of the council;
  - set out how their approach will be resourced; and
  - set out how the approach aligns with national policy goals and regional planning priorities.

## Recommendations

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### Welsh Government

- R4 To help enable stakeholders to assess potential sites the Welsh Government should:
- work with councils to ensure that listings of identified sites for regeneration are reported by council area; and
  - produce a national listing informed by the local listings and through working in conjunction with other public sector bodies.
- R5 To help inform scrutiny of performance both locally and nationally the Welsh Government should create a national framework for monitoring and assessing levels of brownfield sites being developed compared to levels of sites available and levels of greenfield development.



## Why brownfield?

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01



## Wales faces a housing crisis

- 1.1 New house completion has not kept pace with forecast demand, increasing demand for the existing housing stock. In 2019, the Welsh Government estimated over 7,000 new homes were needed annually to meet both social and market housing needs. Since setting this goal, construction has failed to meet this target in any year (**Exhibit 2**).

### Exhibit 2: estimates of housing need and current performance against need 2019-20 – 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
Total estimated need	7,095	7,225	7,711	7,451	7,348
New dwellings completed	6,037	4,616	5,273	5,785	1,060 <sup>1</sup>
Difference to need	-1,058	-2,609	-2,438	-1,666	
Cumulative difference	<b>-1,058</b>	<b>-3,667</b>	<b>-6,105</b>	<b>-7,771</b>	

Source: Audit Wales analysis of [Stats Wales](#)

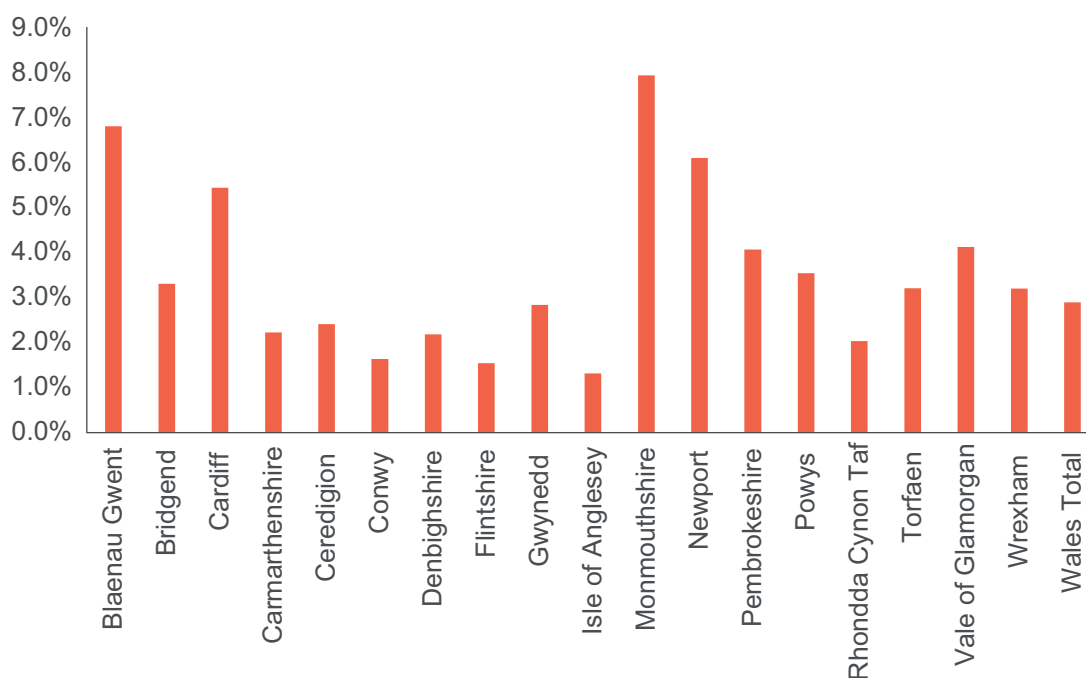
- 1.2 This follows the long-term decrease in annual home completion since the mid-1970s. In 1974-75, 12,434 homes were built in Wales compared to 5,273 in 2021-22 – a 58% reduction in 47 years. In particular, the same period saw new council dwellings fall from 4,316 to 72 – a 98% reduction. Meanwhile, the Welsh population rose by 13.8%, increasing from 2.7 million in 1971 to 3.1 million in 2021.
- 1.3 Fewer home completions have contributed to increased prices. In 2022, the average Welsh (median) home sold for £190,000, while the average (median) workplace-based full-time earnings were £30,600<sup>2</sup>. This means that on average, people need six times their annual earnings to buy a home – up from only three times in 1998. This is a significant challenge, increasing demand on the rental sectors.

<sup>1</sup> April to June 2023 only

<sup>2</sup> ONS, [Housing affordability in England and Wales](#), March 2023

1.4 Our research found that at the end of December 2022, 90,053 people were registered with councils for housing – 2.9% of the total population (**Exhibit 3**). The lowest number was in the Isle of Anglesey (904) and the largest in Cardiff (19,728).

**Exhibit 3: housing waiting list as of 31st December 2022 as a proportion of 2021 census population**



Note: Data was not supplied by Caerphilly, Merthyr Tydfil, Neath Port Talbot, or Swansea.

Source: Audit Wales/[ONS](#)

1.5 Homelessness has also risen since the pandemic and places a significant burden on councils to home often vulnerable citizens quickly. At the end of March 2023 there were 10,221 individuals in temporary accommodation<sup>3</sup>.

1.6 As the housing authority, councils are directly affected by housing market pressure. This challenge increases the push to enable and deliver increased levels of development.

1.7 Development must meet future need, as well as the cumulative demand previously missed. Present performance is not keeping pace whilst demand increases. While we acknowledge that the pandemic has undoubtedly affected the pace and scale of development, performance in delivering new housing has not met targets for some time.

3 [Welsh Government, Homelessness accommodation provision and rough sleeping: March 2023, June 2023.](#)

## Regenerating existing settlements has key benefits for communities and the environment

- 1.8 When compared to greenfield, brownfield sites have some key benefits to support them. Generally, they are already served by infrastructure, such as utilities or roads, that can be adapted to their new purpose.
- 1.9 Regeneration also enables more effective use to avoid empty properties lying empty. This can radically change the look and feel of an area, potentially encouraging added private investment and economic development. Ultimately, this can also lead to greater tax income from properties currently contributing little or nothing.
- 1.10 Focusing on sites already developed also helps to preserve green spaces. Keeping development within existing settlements can also reduce the need for more public buildings to be built to deliver additional services, as well as reducing the environmental impact of potential destruction of natural habitats or agricultural space.

## Focusing on regeneration enables councils to meet national policy ambitions

- 1.11 The Welsh Government has given a clear direction to councils to focus on brownfield regeneration. Policy is mainly driven through [Planning Policy Wales](#) (PPW) and [Technical Advice Notes](#) (TANs), which inform planning decisions.
- 1.12 PPW directs councils to place major 'generators' of travel demand<sup>4</sup> within existing settlements which are, or can be, easily reached by walking or cycling, and are well served by public transport. To be sustainable, councils are encouraged to use brownfield over greenfield where it is suitable and possible to do so. While not all previously developed land is suitable for regeneration, the expectation is to prioritise and drive through brownfield over greenfield.
- 1.13 Planning policies also must align with other national policies. For example, the 'Towns Centre First' policy aimed at increasing footfall into town centres, or the Roads Review, that sets the framework for new road construction. Both are directly relevant to all development, but arguably strengthen the case for brownfield sites.

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4 Generators of demand include housing, employment, retailing, leisure, and community facilities.

- 1.14 Legislation also directs councils in their approach. The Planning (Wales) Act requires councils ensure development and use of land contribute to improving Wales' economic, social, environmental and cultural well-being. Councils must also act in line with the sustainable development principle of the Well-being of Future Generations (Wales) Act. Which includes for example balancing long- and short-term need, whilst involving communities in shaping their environment.
- 1.15 Welsh Government expects that councils will adopt national policy when setting local plans and making planning decisions. Each principal council must publish a Local Development Plan (LDP) which sets out preferred development sites and approach. The LDP is a key influence on local planning policy. Clearly setting an ambition and direction within the LDP is crucial to delivering regeneration. Balancing national policy aims, local goals, and politics is a key challenge faced by councils.



**Overcoming significant  
barriers to regeneration  
is required to  
deliver large scale  
development**

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**02**

## Regeneration is made difficult by a significant number of barriers

- 2.1 The barriers to regeneration are significant. Through our root cause analysis approach, we have found a range of local and national barriers.



### Viability

- 2.2 To attract developers, projects must be viable. A viable project is one where a developer can make a required level of profit. Greenfield projects typically have larger profit margins than brownfield sites, as brownfield sites have inherent costs built in, such as demolition or remediation, before construction starts.
- 2.3 It is also more difficult to make projects viable in areas with low property value. Whilst this can be influenced by a range of factors, where an area has low value, such as due to deindustrialisation, there is less incentive for private sector investment to regenerate them.
- 2.4 Councils can overcome the viability gap where it leads in the regeneration, such as improving public amenities or subsidising remediation costs.



### Resources

- 2.5 With severe pressure on public finances, it is difficult to make the case for increasing non-statutory funding on activities such as regeneration. Regeneration requires several council service areas to work together. These include planning, housing, economic development, land, and estates. After over a decade of budgetary pressure, these activities have reduced significantly, limiting council capacity.
- 2.6 Remaining staff who have responsibilities for regeneration are rarely dedicated to this work, and usually manage a range of competing priorities. Councils rarely have a standalone regeneration function, and staff with a role in regeneration often also work across a number of other service areas. This can make collaboration on projects more challenging, as well as diluting leadership to drive projects forward.

2.7 Councils can also take opportunities to align themselves with national policies to access revenue streams. For example, between 2022-25, the Welsh Government will supply £125 million of grants and loans through the Transforming Towns programme. Since 2014, Transforming Towns loans have brought over 500 units back into use. Additionally, since 2012, 3,400 empty homes have been brought into use through property owner interest-free loans, issued by councils and funded by the Welsh Government to a total of £43 million.



### Flooding

- 2.8 As we have set out previously<sup>5</sup>, responding to climate change and the risk of flooding is critical to protecting property. Not protecting properties could, in turn, lead to even greater market pressure. To respond to flood risk, the Welsh Government revised guidance (TAN15) to classify areas according to the risk and require mitigations to be in place. This could include requiring investment in flood defences, for example.
- 2.9 Flood risk is present in all developments. However, mitigation measures would increase costs, further challenging brownfield viability. Council officers have cited this as a key barrier. However, when compared to greenfield, brownfield sites are often found within existing settlements so can benefit from existing mitigations. Focusing on maximising existing protected areas could offer a significant source of new development.



### Phosphates

- 2.10 In some areas of England and Wales, development has been severely disrupted or prevented by phosphate levels detected in rivers. Revised national targets have required councils and developers to prevent the nutrient load in affected areas increasing to preserve habitats. This has meant that many councils are unable to decide planning applications and have delayed LDP preparations.
- 2.11 Whilst this has been cited as a key reason for development not continuing by council officers, others have acted to ensure some development continues. Carmarthenshire has developed a [Nutrient Budget Calculator](#) to estimate the phosphate levels a proposed residential development could produce. This offers developers greater opportunities to continue, as proposals can be assessed on their impact against national targets.



## Contamination

2.12 Many post-industrial sites are contaminated by substances such as oils, chemicals, or asbestos. For contaminated land to receive planning permission, it must remove the contaminants. The cost of this can be considered in the site valuation but can make sites unviable, with the decontamination cost greater than the redeveloped value. Contrastingly, developments on greenfield sites typically do not incur these costs.



## Land ownership

- 2.13 Mostly, councils can only influence owner decisions over property. Whilst effective relationships can be built to deliver regeneration in partnership, this can be limited where landlords are reluctant to engage. Council officers described how some landlords, such as some large or multinational companies, are less engaged to collaborate, despite potentially increasing the value of their land. This is closely related to buildings being seen as investments rather than homes or community assets, which is a cultural mindset difficult for individual councils to overcome.
- 2.14 Influence can also be limited where land is owned by other public sector bodies, such as the NHS. Land can be sold for the highest financial return rather than for the highest community return, due in part to public finance pressures. This underlines the importance of working in partnership with other public bodies to deliver for collectively served communities.



## Skills

- 2.15 Shortages of skilled construction workers can potentially prevent the delivery of large-scale projects. With an ageing workforce, it is estimated<sup>6</sup> that by 2027, 9,100 more construction workers will be needed in Wales.
- 2.16 The need to compete for workers, as well as training, leads to increased costs of development. For brownfield projects, this can further affect potential profit margins and make them even less attractive.





## Enforcement and use of powers

- 2.17 PPW encourages councils to work with landowners, but when not possible, to use enforcement powers to deliver regeneration. This can include Compulsory Purchase Orders (CPOs). However, in most councils these ‘hard’ powers are rarely used outside of transport projects. Reasons for this include reduced delivery resources, loss of skills and experience, and limited legal support.
- 2.18 This leads councils to rely more on ‘soft’ powers to try to meet aims. This involves trying to persuade developers or the development of joint ventures. Whilst this shows collaborative working, the reliance on ‘soft’ power is contrary to the PPW’s balanced approach. Due to the lack of risk of enforcement, it gives developers significantly greater influence when negotiating aspects of development, such as infrastructure contributions or provision of affordable provision.
- 2.19 Whilst the Welsh Government has looked to develop skills in this area, to advance some more challenging projects councils will need to make enforcement a realistic tool.



## UK issues

- 2.20 In addition to the above, there are other barriers that are outside the devolved control or influence. For example, when repurposing buildings, standard rate VAT is charged on building repairs and alterations whilst for many new construction projects VAT is zero-rated. Due to the pressure on viability, this can encourage developers to replace, rather than repair, existing buildings, which does not support sustainability.

## Local plans continue to include sites without realistic chances of progression

- 2.21 Most LDPs reviewed included references to brownfield regeneration. These vary from brownfield sites forming some part of future housing development to specific targets for re-use of brownfield land. For example, Newport City Council target a minimum of 80% of all housing completions to be on brownfield land.
- 2.22 Targets vary by geography, with more rural areas having lower targets. For example, Carmarthenshire and Ceredigion Councils have targets of 32% and 5% of residential development to be on brownfield sites. Another council explained their focus had shifted to greenfield believing they had exhausted all large brownfield sites without significant contamination. Whilst this may be the case, not understanding why targets vary across Wales may lead to unequal levels of development despite opportunities being present nationwide, such as change of building use or minimising empty homes. Taking a national approach to site reporting may help to reduce this risk.
- 2.23 Council officers also described how some LDP sites are undeliverable due to specific challenges, such as pollution or viability. Allowing these sites to remain undeveloped puts greater pressure on allowing greenfield development, which may undermine efforts to be more sustainable. Given this context it is not clear why these sites are included in LDPs. If plans and ambitions are to be fully realised, focused effort to overcome barriers is needed. Whilst we recognise the strain authorities are under, it is difficult to see why a site is included within an LDP if support to realise the site is not provided.
- 2.24 Named sites are also unlikely to align with recent national policy changes due to the age of LDPs. The Welsh Government expects national policies should be integrated into sites choice and prioritisation. However, as many LDPs were developed over a decade ago, they do not take account of more recent national policies, such as Town Centres First. This limits opportunities for national and local policy congruence.
- 2.25 Going forward, local authorities will have to collaborate within Corporate Joint Committees to create Strategic Development Plans. These aim to give a more regional footprint for development, linking to more focused local plans. This offers potential routes for collaboration to overcome some barriers.

## Community involvement is not always clear

- 2.26 Local plans also give opportunities to involve communities to shape their environment. It is often unclear how citizens have been involved in the development of LDPs other than having a chance to comment on them. This is despite involvement being cited as crucial in the development of LDPs by PPW.
- 2.27 In local placemaking plans, involvement is clearer with forums for citizens to express ideas. For example, the Transforming Chepstow plan developed by Monmouthshire County Council invited public comments through a survey and events to establish priorities. Similarly, in the development of placemaking plans, citizens and businesses of Canton have shared priorities and informed potential regeneration projects with Cardiff Council.
- 2.28 To deliver more community-based development, councils could work with third sector organisations. For example, Community Land Trusts (CLTs) are non-profit organisations that own and develop land for the benefit of the community. Through a CLT, the community actively leads development from site identification, planning, and construction in line with their local decisions.
- 2.29 In addition, Housing Justice Cymru's 'Faith in Affordable Housing' initiative coordinates efforts to unlock and encourage the use of redundant church land and buildings. They estimate there are currently 4,500 church buildings in Wales, with approximately 200 closing each year and more closures forecast. This could offer plots of land in both urban and rural areas.
- 2.30 Partnering with community-based groups would be a change in culture for some councils, moving from a partner or developer towards an enabler of community-led development. This is an example of a wider change in mindset and approach that we recently outlined in our report on community resilience<sup>7</sup>. However, third sector groups we have interviewed feel that little involvement is taking place, meaning potential opportunities are lost.
- 2.31 Elsewhere, councils have looked to involve the third sector in other ways. In [Liverpool](#) and [Bristol](#), the use of social value frameworks has meant that money invested in the sector is kept by the communities that they operate within. Similarly, Habitat for Humanity GB have created a [toolkit](#) to support community-based regeneration of empty non-residential spaces. Their approach starts with community engagement to understand local needs and design interventions to meet them. It also includes advice to groups on property leasing, renting and ownership, fundraising, and collaboration with councils and other agencies.

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7 Audit Wales, '[Together we can](#)' – Community resilience and self-reliance, January 2023

## Greater focus on overcoming barriers is likely to result in a greater impact

2.32 Councils have repeatedly failed to meet their own LDP targets for housing provision. We reviewed the eighteen published 2021-22 AMRs in August 2023. Whilst each council must publish AMRs annually, some have been delayed due to new LDP development with some producing no public information at all. Our analysis found that:

- thirteen included targets for utilising brownfield land, with seven achieving their target:
- the proportion of brownfield land used varies widely, ranging from 5% of new development in Ceredigion to 94% in Blaenau Gwent:
- the content of reporting also varies widely, with ten reporting on all brownfield uses and five reporting residential use only. Three made no commentary at all: and
- only four councils met their Average Annual Requirement<sup>8</sup> of new homes.

2.33 As recognised above, the scale of the barriers to overcome is significant. At present, council officers interviewed were generally negative with a sense that development is being held up, particularly by national policy. Some officers felt that national policy conflicts between the need to build homes and a 'purist' approach to the environment. Both the phosphates and flooding issues set out above were cited as directly preventing development or making it significantly harder than in England.

2.34 However, both climate change and phosphate targets will have impacts across the UK. Recently, the UK Government estimated that over 100,000 new homes are prevented in England due to phosphates. Indeed, as noted above (**paragraph 2.10**), flooding is a potential reason to strengthen the case for regeneration, rather than weaken it.

2.35 In addition, few council officers could suggest examples of good practice found elsewhere. Instead, officers focused on what should be avoided, such as the expansion of Permitted Development Rights (**paragraph 3.2**). Whilst it is valuable to find risks and approaches to not follow, greater focus on positive examples would potentially help to overcome some barriers.

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8 This is the method for calculating housing demand required by the Welsh Government's Development Plans Manual before 2020. Since, new plans must use the Anticipated Annual Build Rate (AABR) method.

- 2.36 To meet the challenges of climate change and the housing crisis, development must be sustainable. Most officers saw the purpose of national policies, but focused on their negative impact rather than the potential opportunities for change that they present. Transitioning to a mindset of recognising opportunities rather than barriers is difficult but may offer significantly greater progress.
- 2.37 This change in mindset could be articulated by clear ambitions in local plans, supported by four key elements – approach, leadership, resources, and skills. In our fieldwork, we have found deficiencies in each that limit the ability of councils to deliver. Where regeneration has been successful elsewhere, councils have proactively driven the agenda. This is likely to require an acceptance of some risk combined with enforcement, leadership, clear policies and a commercial skillset.

### **Councils do not systematically find and record potential sites for regeneration**

- 2.38 No council has a systematic, comprehensive approach to finding and listing empty properties or brownfield sites. Such an approach is useful in supporting developers to find areas to intervene, as well as shaping local plans for wider improvements.
- 2.39 Whilst most council officers noted that vacant dwellings and non-domestic properties could be found from Council Tax and Non-Domestic Rates (NDR or 'business rates') records, few consistently use this to inform strategy. This is a valuable insight into property that gives councils a rich evidence base to plan or intervene. When combined with other council-held data, it offers the potential of significant benefits in planning for demographic, economic, and infrastructure changes.
- 2.40 Since 2017, English councils must publish brownfield registers, updated annually. This includes available land that could support at least five dwellings, or is at least 0.25 hectares, where development is 'achievable'. This is defined as land where development is likely to take place within fifteen years.
- 2.41 In 2022, [analysis by CPRE](#) found that the 344 brownfield registers published included 27,342 hectares of developable land. This could accommodate 1.2 million homes. Planning permission had been given for 45% of the land, including 550,000 potential homes. Since being introduced in 2017, sites found suitable for housing has risen by 30% **(Exhibit 4)**.

**Exhibit 4: summary of English council brownfield registers identified sites, 2018-22**

<b>Year</b>	<b>Number of sites</b>	<b>Hectares</b>	<b>Number of homes</b>
2018	17,656	28,349	1,052,124
2019	20,750	24,684	1,061,346
2020	18,277	26,002	1,077,292
2021	21,566	26,256	1,162,969
2022	23,002	27,342	1,232,592

Source: [CPRE](#)

2.42 Similar analysis is not possible for Wales due to the lack of systematic records kept or published. The collection of such information, locally or nationally, may offer several benefits. As well as helping identify opportunities for development or infrastructure development, it could also help provide a basis for councils to involve communities in leading regeneration.



## **Approaches from elsewhere**

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**03**

## Looking to elsewhere may offer solutions to Wales

- 3.1 Pressures for regeneration and barriers are not unique to Wales and have had to be overcome elsewhere. Ambition, leadership, resources, and skills have been specifically found to make proposals for regeneration a success.

### England – Permitted Development Rights

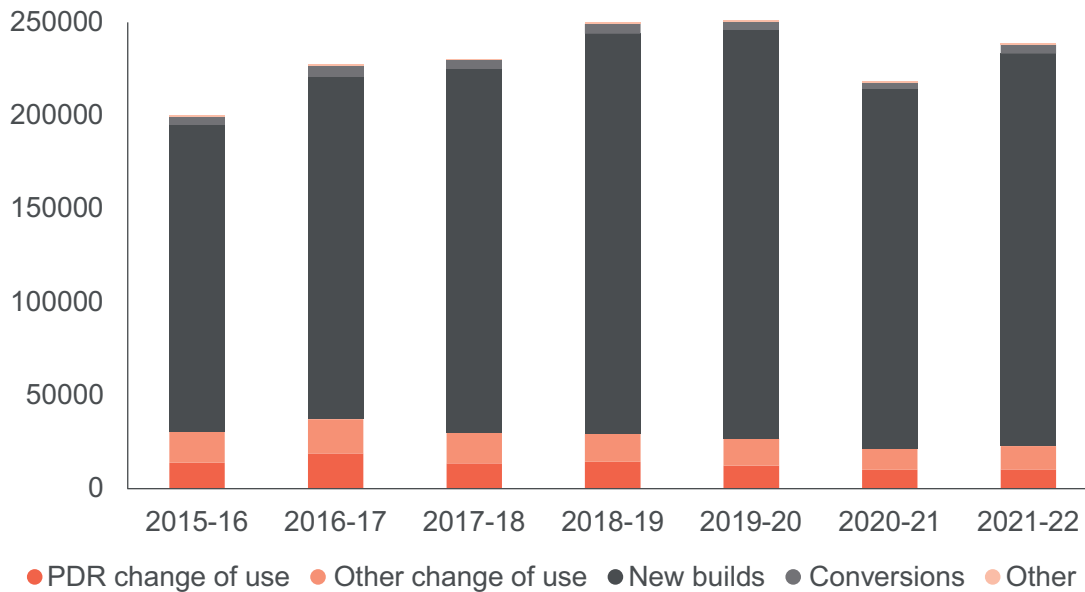
- 3.2 Changes to the planning system have been used in England to increase regeneration volumes. However, levels utilising the changes have been relatively low, but have produced housing quality concerns and loss of infrastructure funding.
- 3.3 Changes have been made to definitions of building classes and expansion of Permitted Development Rights<sup>9</sup> (PDRs) to encourage development. The changes enabled more types of commercial premises to be repurposed without planning permission, such as a former retail space being repurposed as an office. They also enabled empty commercial buildings to be converted to accommodation, or the complete demolition of redundant buildings to be reused for housing, without planning permission from a council.
- 3.4 Since 2015-16, 1.6 million dwellings have been added in England, with 198,000 (13%) resulting from a change in use. Around 93,000 utilised PDRs to change property use but this was smaller than 'regular' change of use in all years except 2016-17. New builds are still by far the largest contributor (**Exhibit 5**). By far, the most significant type of PDR used is from office to residential (41%).

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9 PDRs give property owners greater flexibility to develop their premises without planning permission, such as house extensions or porch construction.



### Exhibit 5: new dwellings completed by type in England, 2015-16 to 2021-22



Source: [UK Government](#)

- 3.5 However, housing quality issues have arisen due to the removal of the planning process and the standards it enforces. This includes suitability of location or design, lack of windows, minimum space standards, public transport links, or refuse facilities. Consequently, the Royal Town Planning Institute, Royal Institute of British Architects, Chartered Institute of Builders and Royal Institute of Chartered Surveyors [wrote to the UK Government](#) to protest at the change in 2021. UK Government [commissioned research](#) highlighted that PDRs generally resulted in creating poorer quality residential environments than conversions that were subject to formal planning permission.
- 3.6 PDRs can add pressure onto councils to supply services to unplanned residences, as well as preventing infrastructure funding from developers. For example, Section 106 agreements<sup>10</sup>, the Community Infrastructure Levy, or other planning levies, to deliver affordable housing, schools, and playgrounds. Campaign groups, such as [Shelter](#), have flagged the impact of the loss of such funds.

<sup>10</sup> Technically known as a 'planning obligation,' these are agreements made between developers and local authorities to mitigate issues that would otherwise prevent planning permission being given.

## Trafford Council

- 3.7 Trafford Council has employed an interventionist policy to regenerate town centres, whilst also experiencing a challenging financial context. Since 2016-17, Trafford has received no Revenue Support Grant, being almost exclusively funded by Council Tax and NDR. As a result, it must either raise income, reduce expenditure, or reduce service provision to balance its budget. This has led to innovation to generate new sources of income through rents, council tax, and NDR. Investing in regeneration is therefore critical to safeguarding and enhancing council services.
- 3.8 To set their approach and arrangements, they apply key principles:
- robust, clear, and strong statutory plans
  - securing investment in land from council funds
  - entering joint ventures with the 'right' partners
  - developing commercial skills by working with the private sector
  - collaborating with regional partners to maximise regional infrastructure investment
- 3.9 A combination of tools has been used to drive regeneration. Local plans have been used to target investment into the public realm and transport hubs to improve access and the feel of areas. Eyesores have been reduced using enforcement powers, council acquisitions, and interest free loans. Loans of up to £10,000 were available to help businesses occupy vacant units, improvements, or overheads, plus loans of up to £5,000 for marketing.
- 3.10 These acts have been combined with council investment in community facilities, such as a library, as well as encouraging private sector investment. As a result, high street vacancy has decreased. The Council reported that as well as directly increasing rental and NDR receipts, higher council tax income has resulted from new housing demand generated.
- 3.11 The Council has also adopted an [investment strategy](#) to support local regeneration in a more direct way. The investment fund, which currently totals £500 million, is funded by borrowing from the Public Works Loan Board. The strategy's goal is clear – 'to promote Trafford Council's Strategic Priorities while creating a suitable income stream to support local services.'

### 3.12 To deliver this, the Council:

- directly lends money for projects that complement this goal;
- incentivises development sites and the work of developers to ensure they are focussed on achieving council priorities;
- distributes surpluses generated to support council services to ensure the needs of the wider community are not left behind; and
- is prepared to intervene and take ownership of regeneration projects to give the Council greater control.

3.13 Selecting the ‘right’ partner for collaboration is critical. Understanding what each developer and the council wants is critical to forming a matrix of common goals. For some developments, site risks must be removed before partners are willing to start. As the key stakeholder, councils are best placed to mitigate risks for partners. In return, the council enables the development of high-quality buildings and infrastructure which is directly helping local communities.

3.14 To support collaboration, staff have been recruited externally with specific private sector and commercial skills to complement the established planning and housing teams. To help this, the Council has recognised that it needs to compete financially, offering competitive packages to attract the right people.

3.15 Financially, each project must make a minimum return. Direct investments are assessed for the internal rate of return (IRR) over an agreed period, whilst lending investments are set at a minimum of 2.5% plus cost. This enables regeneration, whilst also safeguarding public money.

3.16 There is an acceptance of risk within the model, however, with both elected members and officers understanding not all interventions will be successful. Members are informed of risks of commercial development through regular reporting, with the opportunity to scrutinise and oversee strategy implementation.

3.17 Whilst not all councils may have financial resources or risk appetite to work on this scale, the key arrangements are transferable. Councils, as the planning and housing authorities, can set the policy and give leadership and resource to fundamentally shape regeneration.

### **Kent County Council**

3.18 Reducing empty homes has been prioritised by councils across the UK. Properties can be vacant for several reasons, such as poor condition, difficulties in converting to housing, or funding. To address these issues, Kent County Council (KCC) developed the innovative ‘No Use Empty’ scheme.

- 3.19 Despite not being the responsible housing authority, KCC has provided regional coordination and leadership in collaboration with the twelve district or borough councils through the scheme. Officers meet quarterly to broaden knowledge, collaborate, and to pool experience to achieve common goals.
- 3.20 The main scheme supplies interest-free loans of up to £25,000 per unit to bring back into use or convert empty homes into housing, to a maximum of £175,000 per project. Loans are secured by legal charge on the property and each application is risk assessed before approval, allowing individuals and organisations access to funding who may have no experience of property development.
- 3.21 Around £16 million is currently available within the scheme, with KCC investing £11 million and the Local Enterprise Partnership Growing Places Fund £5 million. KCC estimate that funding of £55 million has been recycled within the scheme.
- 3.22 The scheme also supplies larger loans to small developers for new build housing on green and brownfield sites. With a separate budget of £24 million, loans under this part of the scheme are typically larger ranging from £100,000 to £2 million.
- 3.23 The scheme has no revenue funding by KCC and is self-funding. An admin fee of around £750 is charged on a loan for empty properties. For new builds, the admin fee is 1% of value plus VAT. Interest of 5-8% is typically charged on all loans. This also helps to deliver a return on investment for KCC, in addition to added council tax receipts.
- 3.24 Residents can contact KCC to report empty properties or seek advice. Around half of all properties come back into use through advice and guidance alone, with the rest enabled through the provision of loans and enforcement. Since 2005, the scheme has approved 442 loans and has resulted in 7,770 units being brought into use. The scheme has recently been renewed until at least 2027-28.
- 3.25 This scheme has been identified as good practice by the Welsh Government and helped influence the development of their own Empty Homes Scheme. This is designed to make more efficient use of existing property and also provides opportunities for common lessons to be shared across Wales'



# Appendices

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## 1 Audit Approach and Methods

# 1 Audit approach and methods

## Scope and approach

Our problem-orientated approach in this audit has led us to understand the key barriers to councils enabling brownfield regeneration. We have employed a root cause analysis approach to understand the key underlying causes of each barrier identified.

We looked at problems associated with brownfield regeneration, change of property use, and reducing empty homes. We did not focus on development in general, although some issues identified also affect greenfield development.

We targeted our fieldwork at eight councils, which were selected due to their varying success levels in brownfield development. The eight authorities were Caerphilly, Cardiff, Carmarthenshire, Gwynedd, Newport, Powys, Rhondda Cynon Taf, and Wrexham. We intended to also include Neath Port Talbot, however it did not wish to take part.

During fieldwork, we were mindful of the pressures currently faced by officers, including the housing and cost-of-living crises, the COVID-19 recovery, and refugee programmes. We tried to ensure that our coverage was sufficient to give an overview of the sector whilst not detracting from service delivery. We worked flexibly to organise our fieldwork with officers.

## Methods

Our review was completed between January and August 2023 and used a range of methods:

- document review – we reviewed documents from the Welsh Government, councils, and other relevant bodies. This included Local Development Plans, Annual Monitoring Reports, and other local strategies. We also reviewed documents shared by the third sector, from the UK Government, and other UK organisations.
- local interviews/focus groups – we interviewed a range of officers with responsibilities related to regeneration at each selected councils. This included housing, planning, and economic development officers. These took place between January and May 2023.
- national interviews – we interviewed Welsh Government officers, third sector representatives, and academics.
- data collection – we collected data on housing waiting lists and refugees housed by each council. 18 councils provided data, with one unable to, and three not responding.
- website review – we completed reviews of council and other relevant websites.





















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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.