

THE BARKER REVIEW OF LAND-USE PLANNING HOME BUILDERS FEDERATION SUBMISSION 28 MARCH 2006

1. INTRODUCTION

Although the Barker Review of Land-use Planning is about wider objectives than housing, housing supply has a crucial contribution to make towards supporting economic growth and productivity improvements, as examined in the first Barker Review. To support economic growth we must have

- the right number of homes,
- in the right locations,
- of the right types.

A large majority of new homes are built by the private sector, either for sale to private buyers (owner occupiers, investors) or for the social sector (S106 agreements). Therefore providing the right number of homes, in the right locations, of the right types, requires the regulatory environment to give home builders as much flexibility as possible to respond to market demand. The more regulation tries to over-rule the market, and the more it tries to prescribe what house builders should build and where, the greater the risk that housing numbers, location and type will not support the country's economic needs.

Because most new homes are built for private buyers, "delivery" of at least an extra 50,000 homes per year is a question of selling, not building. The industry has successfully lifted private housing completions by nearly a quarter over the last four years. Given time to adjust (skills, innovation, productivity improvements), it could build significantly greater numbers. But house builders will only build what they can sell. If they are forced into areas with relatively weak demand, or restricted in high-demand areas, if they are not able to build products which will sell in local markets, or are forced to build what planners judge are the "right" products, then they will not be able to sell, and so will not build the required number of homes.

Sustainable development is not simply about protecting the environment. It is "development" that is "sustainable", which means meeting the economic and social needs of today's and future generations, while protecting the environment. Ensuring our children have access to good quality, affordable housing should be a central objective of sustainable development: "development which meets the needs of the present without compromising the ability of future generations to meet their own needs".

Where environmental considerations limit our ability to achieve economic and housing objectives and cannot be adequately overcome, the planning system should make clear the reasons for not meeting the objectives, the alternative approach proposed, and the likely social and economic consequences.

2. RECENT HOUSE BUILDING TRENDS

Private house building was remarkably flat between 1992 and 2000, despite sustained economic growth, expanding employment and rising living standards. In 2001, total housing completions in Great Britain slumped to the lowest peacetime level since 1924, with private completions lower even than at the trough of the early 1990s slump.

Since 2001, total annual completions in Great Britain have risen by approximately 35,000 to reach 197,000 in 2005, the highest total since 1989.

In England, completions rose by just over 30,000 over this period to reach 160,000 in 2005.

While this has been a very welcome achievement, there are a number of underlying trends which need to be understood before we can draw any conclusions about the industry's ability to lift completions in line with the Government's overall target for England of at least 200,000 homes per year by 2016.

The increase in completions has been achieved entirely through higher densities. The increase in densities has resulted in part because the brownfield share has risen sharply (on average, densities are higher on brownfield than on greenfield sites), and in part because of a sharp increase in average densities:

The increase in the brownfield share of land being developed has been achieved not by any increase in the amount of brownfield land coming through the system, but because of a large fall in greenfield land. Comparing 2004 (the latest available statistics) with 1997, an almost identical area of brownfield land was developed in both years. However the area of greenfield land developed in 2004 was one third lower than that developed in 1997. The brownfield area in 2004 was actually 8% lower than in 2001, the house building trough, and the greenfield area was 15% lower. (All these references are to England.)

The increase in average densities has occurred primarily because of a dramatic shift out of houses into apartments. According to NHBC statistics for England, while the detached share of private housing registrations fell from 50% in 2000 to 22% in 2005, the apartment share more than doubled from 21% to 45%. ODPM statistics show the flat share for RSLs in England has also risen sharply, from 29% in 1999/00 to 53% in 2004/05.

3. A STEP-CHANGE IN HOUSING COMPLETIONS

If house building in England is to expand by at least 50,000 units per year, there are only two ways in which this can be achieved: higher densities and/or increased land supply.

3.1 Density & Mix

There is already concern, including within the home building industry, about the high and growing proportion of new private sector apartments. Current NHBC figures put private sector flat registrations in England at around 55,000 per year. If total housing completions are to be pushed up by one third to meet the Government's target, maintaining today's private sector flat share would imply around 75,000 new flat sales per year. If there are doubts about the marketability of 55,000 flats per year, achieving 75,000 flat sales per year would clearly be very difficult. In addition, there are growing RSL demands for more family homes from S106 Affordable Housing agreements.

This suggests all of the additional 50,000 homes per year to meet the Government's target in England will have to be houses.

In addition, if today's high levels of apartment output in the private and RSL sectors are not sustainable in the longer-term, there may have to be a switch out of flats towards houses within the current level of output.

If the current level of flat output has to be reduced to a more sustainable level, and if all of the additional 50,000 homes per year are to be houses, average densities in England will have to fall.

In addition to this purely physical analysis of the trend towards flats, there is an even more important social perspective.

At present, only 7% of owner-occupiers in England, and 41% of social tenants, live in flats, giving an average of 17% across the whole stock.

The latest household projections indicate the total number of households in England will rise by almost a quarter over the next 23 years, suggesting the housing stock will need to rise by a similar magnitude. If the flat share of all new house building was maintained at 40-45% over this period, and the total stock expanded by a quarter, the flat share of the total housing stock would rise from the current 17% to 21-22%.

Research by Professor Dave King for HBF (*Room to Move?*, March 2005) found that, projecting forward from past trends, there will need to be a significant rise in larger dwellings over the next two decades and a reduction in the number of small dwellings. The key issue for the planning system is "projecting forward from past trends". For the flat share of the stock to rise significantly, there will have to be a profound change in people's attitudes to house types and space – i.e. a much greater willingness to live in smaller dwellings, especially flats. In a market economy, in which a large majority of housing is built for owner occupiers buying in the open market, it would be impossible to achieve this shift without such a change in attitudes because house builders will not build what they cannot sell. The planning system cannot force house builders to build more small dwellings and flats than the market will accept.

By contrast, the last big rise in flat living was achieved through the major public sector house building programmes of the 1950s, 1960s and 1970s when occupiers had very limited ability to exercise choice.

In short, unless there is a profound change in public attitudes to housing space and flat living, it will not be possible to achieve the required increase in the housing stock at current mix and densities.

3.2 Housing Land Supply

Crudely, if average densities in England were to remain at current levels (40 units per hectare, against a long-term average of about 25 units per hectare), then a one third rise in housing completions (from 150,000 to 200,000) would imply a one third increase in land for development. If average densities are to fall, as seems inevitable, then an even larger increase in land supply will be required. This has two implications:

- We must find effective ways to increase the flow of brownfield land being developed for housing – against a background of no increase in the area being developed annually since 1997, and a fall since 2001;
- And we will have to face up to identifying more greenfield land for residential development.

Another perspective on the land required to provide at least an extra 50,000 homes per year is to consider how many additional sites will be needed.

Based on confidential evidence collected over more than a decade, the average number of private new home sales per outlet is less than 40 per year. At 40 sales per outlet, 50,000 additional homes per year (if all private sector) would imply 1250 additional sales outlets. Although a single site may have more than one sales outlet, especially if divided up between several developers, these calculations give an idea of the scale of increase in sites, and therefore of planning permissions, which will have to come through the planning system each year to achieve the Government's housing completions target.

4. LAND SUPPLY: PLANNING FOR A STEP-CHANGE IN HOUSING COMPLETIONS

The planning system will have to adapt to one very important consequence of relying on brownfield land for a high proportion of completions.

While it is relatively easy to identify and plan many years ahead for greenfield releases, there is far less opportunity to plan many years ahead for brownfield land. Apart from land or buildings which are already derelict, most brownfield land will come onto the market as a "windfall" which cannot be identified years in advance.

Also, the pool of potential brownfield sites is not fixed. Sites constantly flow into the available pool, while others flow out as they are redeveloped. This

flow is itself not fixed. In particular, if the economics of brownfield development change – e.g. because of a sharp rise in house prices in an area – then the flow of brownfield sites with potential for profitable development will change.

These characteristics mean that incentives to develop brownfield land are much more important than for greenfield land, while forward planning is much less effective. The rigid approach of the 1990s plan-led system, in which all land to meet housing requirements 10-15 years ahead had to be identified in advance in a local plan, apart from a modest windfall allowance, is clearly not applicable to a situation in which the majority of land is brownfield. Instead, planning policies need to be re-designed to encourage an increased flow of brownfield development opportunities, a concept that is explored more fully below. In short, policies need to be flexible, focussing more on incentives (including reducing disincentives), and less on rigid planning.

Another important land-use consideration that is too often neglected in discussions about planning policy is site sizes. The assumption often seems to be that most housing is built on large sites. On the contrary, although there are no official statistics, most housing sites are relatively small, with the average probably somewhere around 30 units. It is just as important that the planning system produces a flow of smaller sites to meet demand across all markets as it is that it brings forward large developments in high-growth areas.

5. PLANNING REFORM

The house building industry would not want the Barker Review of Land-use Planning to lead to another root and branch reform of the planning system. The new system is only now beginning to bed down. Based on past experience, this process will take many years to complete. Disrupting the process mid stream could be very damaging. We would strongly urge the Review to focus on improvements to the current system, examining current and new policies to see how they operate in practice, how they contribute to, or detract from, economic growth and sustainable development, and whether they are consistent with allowing housing supply to be more market-responsive.

Within limits, successful planning is as much about the will to succeed as the system itself. A local planning authority (LPA) that is determined to promote economic growth and sustainable development, and that has a realistic attitude to the economics of development and the role of the land and housing markets, will find ways to make the system meet its positive objectives. By contrast, a local authority determined to block development will find ways to use the system to this end, whatever the intentions behind Government legislation and guidance.

However this does not mean the system does not matter. Policies can make a system more or less efficient. They can make it more or less difficult for local authorities to achieve their objectives, whether promoting sustainable

development or obstructing development. They can make it more or less difficult for developers to bring forward profitable opportunities.

We have growing concerns, shared by others including the Planning Officers Society, about the complexity of the new planning system and its resource demands. To some extent we would expect any new system to cause problems while it beds down and stakeholders get to know how it works. However there is a growing feeling that, especially at the local authority level, the new system is inherently much more complex than the old. There is a multiplicity of documents and enquiries which house builders find very difficult to keep track of, and which must be very demanding on LPA resources.

If the system proves too complex, there is a risk LAs will simply engage in box ticking, rather than using the various stages properly to inform their decisions. And there is a danger the private sector will not be able to make an adequate input into the various stages, so that the outcomes will be less satisfactory, creating problems for the industry later. On top of the complex local plan process, LPAs are also expected to prepare – and developers become involved in – housing market assessments and five-year land availability assessments, both of which will have to be kept regularly up to date. And developers also need to make representations to the RSS and sub-regional plans which have become very important in the new system.

6. ANSWERS TO BARKER REVIEW QUESTIONS

1. Flexibility and Responsiveness

This question goes to the heart of the new planning system and the need for more market-responsive housing supply.

Planning and the Market

A key distinction needs to be made between trying to make the planning system market responsive and allowing housing supply to be more responsive to market demand.

It will always be very difficult to design a planning system which is market responsive. Planning timescales (years, decades) are much longer than the timescales of those operating in the market (weeks, months, years). The planning system should be about underlying, medium and long-term trends. It cannot, and indeed should not attempt to respond to short-term cyclical changes in the market. In addition, no matter how good the evidence base, local or regional government planners cannot possibly have sufficient knowledge about the market to be able to adapt their policies and requirements in response to relatively short-term changes in demand, nor to dictate to house builders how they should respond to the market.

House builders are concerned with underlying trends, but they must also be very sensitive to cyclical changes in the market. Only those operating at the

coal face have sufficient knowledge and incentive (profit) to be able to assess market demand and respond to changes in demand.

Given these fundamental differences, the objectives of the planning system should be to create a regulatory environment which achieves broad public policy objectives, which sensibly balances long-term economic, social and environmental objectives, but which allows those operating in the market the flexibility they must have to operate successfully and to respond to demand.

Although there is no guarantee developers will always read the market correctly, because they take the market risk they have a much better chance of success than a local planning authority (LPA). Also the consequences of a developer failing to read the market correctly are born by the developer, and are likely to affect only one site. If an LPA tries to over-ride the market and fails, the whole community may be damaged and the consequences will be felt for many years, even decades.

The planning system should use market signals as forward indicators – for example, warning LPAs and regional planning bodies that supply is not responding adequately to demand. Rather than leading to direct intervention, indicators of under-supply should trigger a search for explanations and, if appropriate, policy changes to allow house builders to increase supply.

This is clearly not an easy task. It will require a culture change in central, regional and local government after more than a decade of highly interventionist and prescriptive planning policies. It requires practical, workable policies designed to achieve broad objectives, but which allow the market to operate, not prescriptive policies designed to determine detailed outcomes. Once the rules are established, it requires government (central, regional, local) to stand back and let the market work. Micro-management is the enemy of responsiveness and flexibility. And it requires all levels of government to realise they cannot “manage the housing market” in which 90% of transactions are second-hand dwellings. For example, local planning authorities cannot stop people migrating into an area simply by stopping new building in the area, a common misconception.

The misuse of supplementary planning documents (previously SPGs) is a major cause of concern to the industry. Local authorities seem able to side-step the normal planning process, and avoid public enquiries into policies, simply by introducing them as SPDs. This means that even if the core plan documents have policies which allow house builders flexibility to respond to market demand, these can be over-ruled by SPD policies. The use of SPDs should be heavily restricted by the ODPM.

Policy Progress

The draft PPS3 (5 December 2005) contains important and welcome policy changes. Some move towards making the planning system more responsive

to market signals and a number will help ensure LPAs bring forward more land for residential development.

Land availability should improve with the reintroduction of five-year land availability assessments to replace urban capacity studies, with five years of 'developable' land available and a further 10 years of land identified. Removing prematurity as grounds for refusal will remove an obstacle to permissions and take away an incentive to some LPAs not to have an up-to-date plan. Ending the sequential test should help the flow of land because in practice it has often meant greenfield never, rather than seeking the most sustainable option.

The industry welcomes PPS3's move away from the rigid one-size-fits-all density requirements of PPG3. However there is concern that the four indicative density ranges for different types of sites may in practice not provide sufficient site-by-site freedom. And we cannot see how setting a minimum density of 30 units per hectare is consistent with making supply more demand responsive.

However PPS3 does not go far enough. We would argue that supply responsiveness requires a developer to plan the most appropriate product for any particular site, depending on factors such as the local market, broader market conditions and the housing stock in the immediate neighbourhood and the wider community, while also taking account of legitimate planning constraints. No pre-ordained rule, whether a single density range or a set of ranges, will be appropriate for every individual site. Similarly, it is inappropriate to set a minimum density. The density and mix on a site should be determined primarily by the developer – who is taking all of the market risk – subject to consultation with the local planning authority.

However the old, highly interventionist approach to planning is still evident in draft PPS3. As already noted, local authorities cannot possibly have sufficient market knowledge, nor sensitivity to changing market circumstances, to be able to dictate key aspects of development such as density, mix, price or parking provision. Yet there is a real danger PPS3 will, in practice, result in prescriptive policies in these areas.

We remain particularly concerned about the possible misuse of PPS3 and housing market assessments to dictate housing mix on individual sites. PPS3 says that LPAs should dictate mix for the affordable housing component of open-market sites, and it urges LPAs to require a broad mix of housing for different households types on larger sites (without defining 'larger'). While ODPM officials have stressed that LPAs should not dictate mix for open market housing apart from larger sites, a growing number of authorities have prescriptive mix policies and the GLA's response to the draft PPS3 consultation concluded that because the draft PPS3 did not say explicitly that LPAs could not dictate mix, the GLA would take this to mean it could. If LPAs attempt to impose rigid mix policies on individual sites, this goes completely against any notion of making supply more market responsive and will

guarantee that the industry will not deliver the Government's target of at least 200,000 homes per year.

The underlying thinking behind the ODPM's approach to mix over the last few years seems to reflect a deep mistrust that the private sector can provide the right mix of housing. First the industry was criticised for focusing too much on "executive estates" of larger family homes, now it is being criticised for building too many flats. Both trends highlight the consequences of restricting supply well below demand. If the planning system provided enough planning permissions to allow the industry to build and sell around 200,000 homes per year, instead of less than 150,000, as long as companies had site-by-site flexibility to respond to demand, and as long as the planning system provided permissions across a broad range of locations (inner city, urban, suburban, rural, cities, large towns, small towns, villages), the industry would provide a broad range of house types.

This discussion of mix highlights a related concern. The ODPM has introduced housing market assessments to replace the more narrowly based housing needs surveys. In principle this is a welcome step because taking housing needs in isolation of total housing demand and need has often resulted in absurdly high estimates of affordable housing need (e.g. 120% of the total housing provision in a district!). However we must question how housing market assessments will be used in practice by LPAs. If they are used primarily to reach more realistic estimates of an LPA's affordable housing requirement, they will be an important advance. However there is a great danger they will be used by LPAs to justify and underpin prescriptive housing mix policies. This was the ODPM's original intention in 2004, and it remains a serious threat.

The decision to remove rigid parking requirements from draft PPS3 is a very welcome step. However, assuming this decision is carried through to the final version of PPS3, final judgement will have to wait until developers see how local planning authorities implement their new discretionary powers. Will the result be greater flexibility site by site, or will LPAs impose their own rigid parking policies?

Policy Recommendations

As already noted, draft PPS3 moves towards a planning system that will allow housing supply to be more market responsive. However we believe a number of practical measures could reinforce this shift, and would provide strong incentives for (a) LPAs to facilitate much-needed residential development, and (b) developers to bring forward more sites. These policies would also help create a better LPA understanding of the distinction between the enabling (or constraining) role of the planning system, and role of housing providers who must have the flexibility to assess and respond to market demand. The recommendations would also help reinforce the shift towards a more positive, proactive planning system.

The implications for planning and the plan-led system of a situation in which most land is brownfield were discussed earlier. The following policies would help the planning system adapt to this new reality:

- We recommend that there should be a presumption in favour of residential development for urban brownfield land. In other words, an LPA should have to argue why a site should not be developed for housing, whereas at present a developer must establish the principle of residential development for every site not already in residential use.
- The planning system will still need to plan ahead for greenfield releases to avoid an overall housing supply shortfall and to ensure the most sustainable development options are followed;
- Rather than a crude brownfield target – which has been exceeded partly by slashing greenfield land permissions – there should be a broad policy requirement for LPAs to promote the most efficient use of land (one of the section headings in draft PPS3, but not an explicit policy).
- If an LPA does not have sufficient land identified in its five-year land availability assessment, there should be a presumption in favour of development for any urban brownfield site brought forward by a developer, as was the case in the 1980s. This would reinforce the urban brownfield presumption (above), create a strong incentive to LPAs to maintain an up-to-date land availability assessment, and allow developers to appeal against refusals on brownfield sites when the five-year supply is inadequate. We would also suggest LPAs should be required to draw down some of the stock of land they have identified beyond the five-year availability, including greenfield sites, if there is a shortfall in the five-year assessment. This would ensure a speedy response to a shortfall, rather than the LPA having to start from scratch after a shortfall is identified.
- PPS3 should explicitly state that LPAs must not have prescriptive mix policies for open-market housing, whether in the DPD or in SPDs. This should include large as well as smaller sites, although it is quite acceptable for developers to discuss the mix of housing on larger sites with the LPA.

These policies, taken together with the policies already outlined in draft PPS3, would ensure the Government's planning policy objectives were achieved, while at the same time creating the conditions in which the private sector would have sufficient flexibility to respond to market demand and lift housing completions to meet demand.

One of the major benefits of a residential presumption, and a focus on making the most efficient use of land rather than an arbitrary brownfield target, is that these policies would incentivise the private sector to bring forward more potential residential opportunities. By contrast, the current system makes it as

difficult to obtain a planning permission on a brownfield site as on a greenfield site. In other words, these measures would free up the creative energies of the private sector to bring forward more development opportunities. This creativity is discouraged by the rigid plan-led system because every opportunity (apart from a windfall allowance) has to be brought through the planning system well in advance of development, often against hostile opposition, and development opportunities are then set in stone for many years until the plan is revised.

Part of the LA policy formation process should be to assess the potential impact of any policy or practice on supply. For example, one of the barriers to wider adoption of MMC is LA inconsistency. Requiring every scheme to meet the design preferences of individual planning officers makes it very difficult to achieve the standardisation which is essential to MMC.

At a more general level, it is essential that ODPM policy statements and guidance are clear. Too often, different LAs interpret guidance (e.g. on housing market assessments) in quite different ways. Policy statements should, where appropriate, say what LAs cannot do, not just what they can do, because omission can be interpreted as tacit permission.

2. Spatial Levels

The current spatial planning framework - regional, sub-regional and local - is not perfect. In particular, it remains to be seen how well regional planning bodies will discharge their responsibility to set adequate regional housing targets and then allocate these down to district level. This politically charged role will be especially difficult because regional planning bodies are unelected.

The attitudes so far of the East of England and South East regional assemblies to their housing responsibilities have been very discouraging. RSSs have a critical role to play because they are the first stage in the new system from which everything else flows. If assemblies are not prepared to set adequate housing targets voluntarily, the Government must oblige them to meet their obligations. If the Government fails to fulfil this responsibility, it will completely undermine the credibility and operation of the new planning system.

Despite these limitations, because radical planning reform takes years to bed down, tends to be disruptive and leads to unintended consequences, we would prefer to see the current system made to work. It is essential the ODPM and GOs monitor the system at all levels and intervene when authorities fail to meet Government objectives. One major reason the 1990s plan-led system failed to ensure housing supply met housing demand was the government's failure to make sure LPAs properly implemented the plan-led system. There appears to be an attitude in at least some GOs that it is not their role to police the new planning system. Proposed cuts in GO staffing seem likely to reinforce this reluctance to intervene.

We welcome the spatial shift away from planning around administrative boundaries to planning across housing market areas, although this poses practical challenges for regional and local planning bodies.

Making planning more positive and proactive was discussed above. Although LPAs have the key role to play in achieving these goals day to day, regional planning bodies will also have a crucial early role in the way they approach setting regional housing targets and allocating these down to district level.

3. Sustainable Development

The system that evolved in the 1990s and early 2000s clearly did not achieve a sensible balance between economic, social and environmental goals. The Government has made promising changes which, in time, should achieve a better balance.

However one worrying recent development is the use of environmental capacity as an excuse for restricting land supply and housing. The East of England and South East regional assemblies have both used this argument. The Eastern Assembly has firmly rejected on environmental capacity grounds the higher numbers indicated by the 2003-based household projections. There are two fundamental flaws in this environmental capacity argument.

First, pressure on most aspects of the environment – e.g. water, sewage disposal, CO2 emissions, household waste – is generated by people, not new housing. (The one obvious exception is land use.) To quote Entec's study for the ODPM in response to the Barker Review: "many of the environmental impacts [of additional housing supply] are created by the people living in the houses, and not by the houses per se". In similar vein: "impacts related to occupation are primarily driven by population growth which is largely unrelated to housing supply". The study concluded: "without mitigation, the environmental impacts of additional housing supply would be marginal".

Arguing that a region cannot accommodate additional housing because of environmental capacity constraints effectively amounts to arguing that the region cannot accommodate projected population growth. This goes far beyond being simply a debate about housing supply.

Second, most environmental capacity constraints can be alleviated or overcome, whether by investing in additional capacity or by using pricing and taxation to reduce per capita usage.

Infrastructure capacity is also a constraint on meeting housing need, with some infrastructure related to environmental issues. The Government's cross-cutting infrastructure review in the lead up to CSR07 should identify the real scale of infrastructure capacity constraints and future need.

4. International Comparisons

It is difficult transferring lessons from one country's planning system to another country's system because, quite apart from differences in planning systems themselves, so many other factors – population density, urbanisation, growth pressures, housing markets, legal systems, taxation, structures of housing supply and the role of developers, attitudes to new housing development and development generally, etc. – are fundamentally different. However the Policy Exchange has recently provided some valuable international evidence.

5. Business Investment

HBF members have yet to see any significant improvements in the planning system, but it is difficult for HBF to judge the impact on business investment.

6. Joined-Up Planning

Coordination of regional economic, housing and planning strategies varies from region to region, as does the priority given to each. This raises an important question: should the RES lead the RSS, or visa versa, and where does the RHS fit in?

In theory, all three should be prepared simultaneously. In practice, the RSS will often over-rule the RES. For example, the RES analysis may suggest housing numbers, or a housing distribution, based on employment projections (number and distribution) which is politically controversial. The RSS housing numbers and distribution will then simply over-rule the RES figures. Similarly, the RHS may derive an affordable housing requirement which is subsequently ignored in the RSS. And in practice, all three documents may be prepared to different timescales, so it is not clear how they can integrate properly.

7. Development Control Speed

House builders' experience is that applications take far too long. There are a number of improvements already in hand, as well as areas that need further investigation.

Resources are a major reason for delay, both lack of adequately qualified planning staff and lack of legal staff to process S106 agreements. The Government has already taken action to improve resources, but there is still a long way to go. We urge the Barker Review to consider the recommendations of the recent NAO report on the planning system.

We are concerned about the impact of the new planning system on LA resources. The new system, involving multiple stages, documents and enquiries, is considerably more complex than the old system and is likely to make greater demands on LA resources. Housing Market Assessments and Land Availability Assessments will further increase demands on LPA resources. And the planning needs of large, complex schemes are already imposing greater demands on LPAs. The local plan system may appear

elegant and comprehensive in practice, but its implementation in the real world is likely to prove very burdensome.

The house building industry is also concerned about the resource implications of the new planning system for house builders. It is almost impossible keeping up to date with the multiplicity of documents and enquiries involved in local plan making, and it will be a heavy burden on companies trying to have an input into all of these. In addition, because RSSs and sub-regional plans are now so important, companies need to make representations to these. And then they will need to keep track of, and have an input into Housing Market Assessments and Housing Land Assessments, all of which will be regularly monitored and periodically reviewed.

A Government study of LA incentives and the planning-delivery grant (PDG), announced in the PBR, is very welcome. The PDG has produced an improvement in decision times but, as the ODPM's statistics show, this has been accompanied by a sharp rise in the number and rate of refusals. The Government's current targets are inadequate and open to manipulation by LPAs.

In the case of larger schemes, where 13 weeks will usually be too short to process an application, we support the use of delivery agreements. Where both sides agree in advance to a timescale, achievement of this timescale should be regarded as meeting the terms of the PDG rather than judging all schemes against a single, and sometimes inappropriate 13-week timetable.

Disincentives need to be found to discourage local planning committees from refusing permission against officer recommendation for purely political reasons. This results in considerable delay and cost, usually unjustified. Major improvements in the time taken to process appeals will help because, at present, committees are aware that appeal times are subject to major delay, and they therefore feel less constrained in refusing an application against officer recommendation.

We recommended to the first Barker Review that the key elements of a scheme submitted for planning should be determined at outline planning, the stage at which there should be public scrutiny and consultation and democratic decision making, but that the detail of schemes should then be delegated to planning officers. We would repeat this recommendation. Planners are already demanding much greater information at outline stage. Wider use of design codes would also help if such a system was adopted.

Delays caused by statutory consultees remain a problem. Although they are required to respond to enquiries within a certain period, few LAs will wish to progress an application if the statutory consultee has not responded in time.

We recommend that the current system of Affordable Housing provision through S106 agreements should be subject to a major review. This is the most important source of delay in negotiating S106 agreements. We would

also recommend improvements to the S106 system more generally, but we presume this will be incorporated into a decision about the PGS.

E-planning should bring efficiency improvements and HBF will be working with the Government to encourage house builders to adopt e-planning.

The Government has already put extra resources into the planning inspectorate. We hope this will take timescales back to the levels before the Government's misconceived reduction in appeal times from 6 to 3 months.

A more general recommendation is that the Government should consider much more carefully the likely practical consequences of any future changes to planning policies and take adequate account of the development industry's views. If our warnings about issues such as the reduction in appeal times, or the inevitable adverse consequences of PPG3 parking restrictions, had been heeded, a great deal of damage would have been avoided.

8. Planning Costs

House builders have accepted increases in planning fees, but have been disappointed that these have not yet led to any significant improvement in the efficiency of development control performance. Costs should be linked to performance. House builders are willing to pay additional one-off fees for larger applications if these are tied to delivery agreements.

Planning delivery agreements, e-planning and the recommendations outlined earlier should bring improvements to the efficiency of the system. This topic should be taken alongside the question of LA resources (below) and the recommendations of the NAO report.

9. Occupation Costs

This is not relevant to house builders.

10. Competition

This question is not directed at house building. However we are aware that if the reforms recommended by the first Barker Review, and the reforms already implemented by the Government, do produce a significant increase in land supply for residential development, this will have an impact on competition, barriers to entry and consolidation within the house building industry.

At present regulation erects major barriers to entry and expansion. The focus on brownfield land, higher-density housing, large regeneration schemes and major land releases in growth areas, along with the increasingly complex and demanding planning system, all work against new start ups and expansion of smaller companies. It is difficult to see how any of these pressures will reduce significantly, although greater land availability may bring some modest reductions in barriers to entry and expansion if the additional land is made available across all site sizes and across all markets.

11. Business Clusters

This is not relevant to house builders.

12. LA Resources

As already noted, many LAs do not have adequate planning resources to operate the current system efficiently, let alone take on the more demanding requirements of achieving sustainable development and sustainable economic development, and meeting the increasing requirements of central government. To resolve this will require more resources (money, manpower and expertise), greater realism by central Government about the resource-implications of its own policy demands on the planning system, a more realistic attitude by central, regional and local government about the limits of the planning system and what it can achieve, and greater LA understanding of the operation of housing developers and the land and housing markets.

Two recent examples of central Government demands highlight the problem of resources. First, the new local plan system, with numerous separate documents and enquiries, is much more complex than the old system which had a single plan and single enquiry. It is very difficult for house builders who need to keep up with the flood of consultation documents and make representations at appropriate times. It must be enormously difficult for LPAs to implement the new system. Second, the ODPM has stressed that LPAs should undertake the new more comprehensive housing market assessments, rather than putting them out to consultants. In practice, because of inadequate resources, they are often being put out to consultants.

13. Engaging SMEs

House builders do not have direct experience, but we suspect businesses in general, and more particularly SMEs, do not have an adequate influence over planning for housing provision. This is probably partly about resources, especially among SMEs, and partly lack of appreciation of the links between housing provision, housing costs and labour costs and availability.

14. Incentive Structures

This question goes to the heart of current difficulties with planning. How do we devolve as much responsibility as possible down to local communities, while ensuring that the planning system allows house builders and RSLs to meet demand?

The system needs the most appropriate incentives for the outputs required. For example, the planning delivery grant should be based on meeting housing objectives, not making decisions (which too often simply means a decision to refuse) to meet an arbitrary timescale.

We have already outlined above a range of policy measures which, taken with new policies in PPS3 and in Circular 05/05, would help meet this challenge.

An essential ingredient for success will be Government monitoring of the new system at regional and local levels. As noted above, a key reason for the failure of the plan-led system in the 1990s was the Government's failure to ensure LPAs prepared plans and reviewed them adequately. Some regional planning bodies have already demonstrated they are unwilling to take the politically difficult decisions necessary to provide adequate land for housing. If the Government does not oblige them to meet their obligations, the whole system will be undermined.

It is also essential that regional and local planning bodies have a robust evidence base, and that the reasoning behind, and consequences of their policies are adequately analysed and explained. It is only by addressing the consequences of policies that communities can make sensible choices.

For example, it should not be acceptable for a regional body simply to assume, without proper analysis, that restricting housing provision outside the major conurbations will stop outward migration and automatically redirect population and labour into regeneration areas. Such an approach implicitly assumes close substitution between markets, a highly questionable assumption. And by not analysing the likely consequences of the policy approach, the community will be kept in the dark about the adverse consequences of the policy. Too often, restraint policies are presented as though they are all benefit, with no cost.

15. Strengthening Economic Performance

From a housing perspective, it is essential that the planning system creates a regulatory environment which allows housing supply to meet the economic needs of an area (whether region, sub region or local authority). A great deal of economic damage has been done because the economic role of new housing was ignored until HBF began to ring alarm bells in the late 1990s and early 2000s. This neglect extended beyond the planning system to the academic world, according to a pioneering study sponsored by HBF in 2001:

“However [economic] models, and the literature as a whole, have concentrated heavily on the economic role of house prices rather than new construction. Therefore our knowledge of the economic impact of new housing is far from complete.” (*The Economic Role of New Housing*, by Geoff Meen, Kenneth Gibb, Daniel Mackay, Michael White. Housing Research Foundation, June 2001)

Our understanding has advanced a great deal since 2001, especially through the work of the Barker Review. However it is going to require a profound change of attitudes from those involved in the planning system at central, region and local government levels if we are to make real progress and deliver the new housing the country needs.

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28 March 2006