

8 August 2003

Ms Kate Barker
Barker Review Team
1 Horse Guards Road
London
SW1A 2HQ

Dear Ms Barker

Barker Review of Housing Supply

Further to your letter, dated 9 June 2003, I am writing to provide the Trust's response to the questions set by your review of housing supply.

Issue One: *We would like to understand whether the supply of land is overly constrained, and if so, how, and by what?*

a. Is there a shortage of suitable land for development? Are there any factors which reduce land owners' willingness to sell

The Trust believes that there is plenty of land in London that could potentially be developed, but often land is not available at the right time, is not suitable for the preferred type of development, or the owner is unwilling to sell.

Land owners are less inclined to sell at present due to the cautious views currently being taken on property values and also the inconsistently applied and sometimes onerous requirements of Section 106 agreements. This would be exacerbated further should less grant be available to support affordable housing requirements.

However, many land owners have benefited in recent years from dramatic increases in land values. It is, therefore, reasonable that they should contribute to the local community and environment when that land comes forward for development. However, Section 106 requirements fall onto developers rather than landowners. While, in theory, Section 106 requirements should influence land prices downwards, this seldom seems to occur as landowners react by keeping their land off the market.

- b. *Are there problems associated with land assembly particularly brownfield land?*

Land assembly is particularly difficult, especially in London. The Trust has also found that negotiating with public and privatised utilities, who often have little motivation to sell, can be particularly time consuming.

In addition, local authorities have poor information on land ownership and titles and are often wary of using their CPO powers to help other organisations with land assembly.

Contamination from adjacent sites is an issue that should be considered in addition to the problems of site assembly.

It is the Trust's view that land assembly on key sites would benefit from Government agency support or intervention. This is potentially an important role for English Partnerships. Currently it seems to be assumed that they will intervene by acquiring land themselves. However, by using their CPO powers, they could support RSLs to acquire land directly thus simplifying the process.

- c. *Is the land allocated for housing in local development plans sufficient to meet housing need?*

It is unlikely that many central London Boroughs, particularly those with high levels of homeless acceptances, could ever meet the housing need in their areas. Whilst promoting supply, it is important that boroughs acknowledge the need for new developments to be sustainable and do not allow their admittedly serious homelessness pressure to result in marginalised communities.

The Trust believes, however, that some land continues to be held for employment uses for which there is no realistic demand. This is partly due to the amount of time it takes to update local development plans but is also a deeply ingrained attitude among many planners.

Local development plans are also slow to catch up with new Government guidance on density, car parking and other provisions that could increase supply on the sites that are available.

Issue 2: *In your view what constraints face the industry and which are the most significant? For example:*

- a. *Do house builders face difficulties accessing finance?*

Housing associations can find it more difficult than private developers to raise finance for market sale activity. This may be due to the comparative novelty of this initiative. This can be due to insufficient grant being available for the provision of affordable housing and also the need to fund a large proportion of the development costs through debt.

The grant regime is usually time limited or have conditions attached related to mix or tenure which can cause problems on sites where the development process is lengthy or flexibility is required. This is not uncommon on large brownfield sites, which are those where the final form and content of developments is most difficult to predict at bidding stage

b. Do shortages of essential skilled workers exist, can alternative production techniques overcome this problem?

The Trust believes that in London there is a serious skills shortage in some trades, particularly plumbing and plastering. Alternative production techniques could be used to address this problem. It is still important however to develop capacity within the trades. The current reliance on eastern European migrants is unsustainable as their level of skill is often low and their lack of training and familiarity with the English language is a health and safety problem.

There is also a skills shortage elsewhere in the development process, e.g. skilled professionals who can co-ordinate increasingly complex and multi-faceted developments, and local authority planners. Shortages in these areas are exacerbated in London by high staff turnover.

c. Is there potential for increasing the use of alternative manufacturing methods? Is this potential affected by consumer preference or the attitude of mortgage lenders and insurers?

Yes, alternative manufacturing methods have considerable potential. The Trust has tested consumer preference, in an admittedly healthy market, and have found that alternative methods are more than acceptable. In addition a number of mortgage lenders have responded positively and will issue loans for properties constructed through alternative manufacturing methods.

d. It has been suggested that the economies of scale are not sufficient in the UK to make these off-site production techniques a viable option? Is this the case?

Economy of scale is a problem at present within the UK. This does lead to increased costs. Greater acceptance of alternative techniques, plus capacity building within the industry, could address this. It is vital that the private housebuilding industry embraces off-site production so that it is not seen as solely an affordable housing product.

- e. *Are the working capital requirements and cash flow implications of modular building a barrier to their use?*

The greater certainty of off-site construction could actually help cashflow in certain cases. Should cashflow concerns be evident within the industry then the Government should consider 'soft loans' or grants for developers.

Acceptance of alternative techniques by volume housebuilders is the key issue, this may need to be incentivised. Once widely accepted application of the techniques could spread quickly and costs will fall.

- f. *Are there particular problems in developing brownfield land due to contamination or dereliction? To what extent are such problems obstacles to development decisions? How much more expensive can this make brownfield land?*

The Trust has experienced considerable challenges when developing brownfield land. Remediation of land can be extremely expensive, the costs of which must be met up front. On one scheme the Trust experienced an 18 month delay whilst decontamination criteria were agreed for inclusion within a Section 106 agreement. In some cases brownfield sites could be considered too costly to develop for residential use.

The question should also be asked whether remediation standards are set too high. Clearly local authorities and developers are right to err on the side of caution and fully comply with regulations. Any relaxation of standards therefore need to be led by Government.

Issue 3: *We would like to know whether policy and its application influence housing developments. For example:*

- a. *Are there problems with the interpretation of planning guidance by local authorities, if so what are they and why?*
Are there any particular aspects of planning policy which do not properly reflect the wider social and economic costs and benefits of housing?
Does the planning system provide incentives to develop brownfield land?
Is planning guidance applied appropriately?
Is the current reform programme sufficient to address inefficiencies in the planning system?

There are multiple deficiencies in the planning, and development control, process. In summary the main issues that the Trust identified are:

- local development plans are almost always out of date and do not reflect the latest Government and regional guidance
- local politicians often pursue their own agenda and raise unnecessary obstacles

- local opposition, sometimes supported by local politicians, makes it difficult to take a broader view of the benefits a development could bring. Recent reforms could provide local opponents with greater power to block reasonable developments
- Section 106 agreements being used to replace central Government funding, e.g. provision of core school facilities
- brownfield sites with significant remediation issues are made even less feasible by Section 106 requirements
- planning and development control process is capricious and inconsistent, this is compounded by understaffing and skills shortages in many local authorities.

b. Are Section 106 agreements an effective means for addressing and mitigating the impact of developments?

The Trust believes that Section 106 agreements should be used to legitimately address the impact of the site and meet key policy requirements, for example the infrastructure required to directly support the development, the meeting of housing need.

Too often Section 106 agreements are seen as an opportunity to fund improvements that are not directly related to the development, or displace grant funding that would otherwise be in place.

c. Do building regulations restrict development?

The Trust believes that building regulations do not constrict supply.

d. Do regulations governing “change of use” effect the use of existing buildings for housing?

Yes, requirement to obtain change of use permissions can provide a barrier to the supply of additional housing.

Issue 4: *Why has the industry not expanded provision of affordable housing or housing for rent?*

*a. Are there additional barriers that have prevented this expansion?
Are these areas of provision simply not profitable?*

Lower profit margins are undoubtedly the reason that private developers do not provide affordable housing, unless obliged to.

b. Is the private rental sector an unattractive investment option, if so why?

The private rental sector can be difficult to operate within. Large developers and small investors often do not wish to be encumbered with long term management and liability.

Housing associations have begun to diversify and provide private rental housing. They have the skills and experience necessary for the long term management of properties and could therefore be encouraged to expand their private rental operations.

Other Considerations

The scale and complexity of the developments proposed in growth areas and locations such as Stratford and Kings Cross has not been seen since the heyday of slum clearance and new town building in the 1950s and 1960s. Then the lead was taken by local authorities. Today it is assumed that the private sector will take the lead. However, the potential contribution of the larger housing associations should not be overlooked. Their underlying financial strengths and development expertise is a major resource which needs to be fully exploited. With their long term and direct interest in developing sustainable communities, they are well placed to play a leading role in the delivery of major mixed tenure developments.

Finally, given the identification of planning problems as a major cause of the inadequate supply of new homes, it is important that your conclusions can be brought to bear on the proposed planning bill before it passes through Parliament. Some of us have real fears that in the current form, it may exacerbate rather than improve the current situation.

I hope that the comments contained in this letter are of use. Please call me if you would like to discuss further.

Yours sincerely

Dickon Robinson
Director of Development & Planning