

Barker Review Team
1 Horse Guards Road
LONDON
SW1A 2HQ

1st August 2003

Our Ref: IP/jh
Your Ref: HCM/Local Business

By e-mail

Dear Sirs

Barker Review of Housing Supply

With reference to your letter of 9th June addressed to our Chief Executive our response is as follows:

Issue 1

Others will be better placed to offer advice/views on whether there is a sufficient supply of land for development. In the South West the region does appear to be under delivering on housing units, year on year, against targets set in the Regional Planning Guidance. There is some discrepancy about exactly by how much we are under delivering depending on whose statistics you use. However, the general trait is concerning. The problem is getting a consensus between local Planning Authorities, Regional Planning Bodies and housing providers on the exact nature and extent of the problem. Everyone tends to blame everyone else. Arguments about whether land is truly 'available and ready for development' go on and, whilst disagreement rages, we fail to deliver. A single Agency/Authority should be charged with holding and monitoring reliable, authoritative statistics.

In our view, owners unwillingness to sell is not a significant constraint. Housing providers often point to this as a constraint, but in our experience, whilst it may be an issue in isolated cases, it is not a significant factor. Housing providers point to landowner aspirations of value as the problem. The fact is, it is housing providers who raise these expectations by vigorously competing for sites thereby driving up prices paid.

A number of public agencies, including RDAs, have compulsory purchase powers which can be used to assemble brownfield sites. The powers, which have been the subject of a separate review

by Government, exist but Agencies must be prepared to use them. We need better co-operation between housing providers (who have the market knowledge) and the public agencies with the powers, to share this agenda, thereby identifying the problem and resolving it together.

We do not believe that the practice of optioning land restricts overall supply. Optioning is a useful process in that it provides security to developers without which they would be less willing to spend the considerable sums necessary to bring large tracts of land forward for development.

Whilst we are convinced that other macro economic factors are highly influential as a driver of market prices for housing, supply – driven by the planning system – also plays its part. The fact that the housing market has been so strong must surely suggest that there is insufficient land allocated to maintain the supply-demand equation in equilibrium.

Issue 2

It is not our view that housebuilders should face difficulties accessing finance. If they are well managed and profitable, finance will be available.

Undoubtedly there is a shortage of skilled workers in the construction industry generally. The extent to which this issue is constraining supply or, alternatively, simply reducing quality is unclear.

Of course there are particular problems in developing brownfield land. Most can easily be overcome (at a price) but the one that most often dissuades developers is the extra lead-in times. They generally need to spend more time and money resolving problems before they see a return. This is an unattractive proposition when compared to dealing with greenfield. Increased profit margins is probably not enough to redress the balance. One solution is for public agencies to somehow underwrite these up-front costs, perhaps being repaid from future revenues.

Issue 3

In our view there clearly are major problems in Local Planning Authorities interpreting planning guidance. They all do it differently, they are not clear enough and this enables landowners and developers to negotiate, for example, on S.106 contributions. This is fatal and is, in our view, largely responsible for the lack of contributions to date of affordable housing through S.106. The planning system has, through the sequential test approach, attempted to incentivise brownfield land. However, it is viewed not as an incentive, but as a barrier to developing greenfield. This puts Local Planning Authorities and housing providers in immediate conflict. Whilst we welcome the latest planning reforms, we are not convinced that they will be sufficient, in themselves, to address inefficiencies in the system. The system remains highly political, subject to local interpretation and to the skills available within each Local Planning Authority.

Building Regulations are a necessary and important part of the development process. They offer real protection to the consumer over quality and safety.

Issue 4

The relationship between affordable housing and the planning system is confused and, in most areas, ineffective. There are a number of ways to tackle the relationship between incomes and house prices. Either you raise income levels so that a greater proportion of the population can afford market house prices, or you reduce prices either by influencing the supply-demand relationship or by artificially providing housing at below market value. Current policy would appear to be to attack the problem on all fronts. The provision of 'artificially' reduced housing can only ever be a temporary solution. In itself it will not address the underlying causes of housing affordability.

We accept that there will always be sections of society that will not be able to 'afford' their own house. This is 'social' housing provision.

If the supply-demand equation is more in equilibrium, there would be effective market segmentation where some providers prefer to focus on larger more expensive units, whilst others make an adequate margin from smaller units at lower price levels. It is not so much that the provision of lower priced units is not profitable, there is simply (in today's market) no incentive to build them.

The South West faces major issues over housing affordability. It is something the region is tackling, but needs more recognition and support from Government.

Yours sincerely

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