

PN/SV/Barker

31 July 2003

Ms K Barker
Barker Review Team
1 Horse Guards Road
LONDON
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Dear Ms Barker

**Barker Review of Housing Supply
Submission of Peel Holdings p.l.c.**

We are pleased to submit our comments to your Review of Housing Supply. Our comments relate to "Issue 1 - Land Constraints" and "Issue 3 - Policy Environment". We commence our submission with a brief outline of Peel Holdings and its role in the housing market, particularly as this relates to the planning system, and then consider your questions under each of the issues above as set out in your letter of 9 June 2003. We also attach to our submission a report which we have recently commissioned from **Oxford Economic Forecasting**, which is entitled "**The Economic Impact of Restrictions on House Building**". This is focused upon the economic implications of changes to housing supply in the UK, with a particular focus upon the North West of England.

Peel Holdings p.l.c.

Peel Holdings is a development and transportation company based in Manchester. We attach our corporate brochure as an appendix. Peel has a background in property development and investment across a range of sectors. With gross assets of £2 billion, it has interests nationwide, but the property and land portfolio is heavily focused in the North West. Peel's largest property is The Trafford Centre, a regional shopping and leisure complex. We have also diversified into the transport sector, both ports (Manchester Ship Canal, Clydeport) and airports (Liverpool John Lennon Airport, Teesside Airport). However, we have throughout the last three decades been a major landowner in the Manchester area and have been heavily involved in the new homes market. We have built new housing ourselves in the past through subsidiaries, such as Peel Homes and Trend Homes (in East Anglia), but more recently have concentrated on obtaining planning consents and either selling to major national house-builders or entering joint ventures.

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We have developed both greenfield sites and brownfield sites. Examples of the former include new communities in West Salford, such as Ellenbrook and Bridgewater Park, whilst the latter includes ground breaking developments in Castlefield, Manchester and Salford Quays. As owners of both the Manchester Ship Canal and the Bridgewater Canal, we have been at the forefront of waterside development. Our recent purchase of Clydeport includes the Glasgow Harbour scheme, where we shall be continuing this approach. We are a major landowner with about 14,000 acres in the portfolio.

To secure development, the Company makes extensive representations to consultation exercises in respect of Regional Planning Guidance, Structure Plans, Unitary Development Plans and District Local Plans. The Company has appeared at most of the public inquiries and hearings in relation to those plans for the Counties and Districts to the west and north of Manchester over the last 20 years.

We have, therefore, extensive experience of the planning system, as it affects landowners and developers. We strongly believe from this experience that the manner in which the current system is operated is inimical to best practice for the long term planning for housing, which is an essential part of the development of sustainable communities. The system operates as a short term administrative process heavily influenced by local and narrowly focused circumstances and interests (which are often anti-development). Very little true long term planning is taking place which pays proper regard to the long term interests of communities and their economies.

The grant of planning permission has become more difficult, more ad hoc and often dependent on finding a local angle for planning gain. For the landowner, this has made the system more erratic in terms of the number of housing plots for which permission is gained.

Issue 1 - Land Constraints

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 current willingness to sell?*

We are aware of very few instances where owners of land have been unwilling to sell.

It is not that there is a shortage of suitable land for development, as landowners represent many more sites than those allocated in District Plans. They will have assessed these for developability factors, such as access, services and ground conditions, prior to putting their case.

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Each will make its submissions to the hearings and inquiries which form part of the Development Plan process. It is only the land that is allocated which can come forward for development, save for those other generally smaller sites that are deemed consistent with general planning policy parameters, such as infill plots within existing built-up areas.

These sites form the totality of available land. But this rarely meets market demand over the period of the Plan because:

- (a) Development Plans take five years or more to prepare and adopt. This restrains the development of allocated sites until such time as the Local Authority have the confidence to grant any consents, particularly if sites are the subject of objection.
- (b) Grant of permission on allocated sites is frequently a tortuous procedure, often obstructed by local objection (seeing the application as another opportunity to object to the principle of development), the need to negotiate planning obligations and the necessity to satisfy statutory consultees whose responses are often tardy and fail to take account of the earlier Local Plan process.

Therefore, whereas it might be said that a Structure Plan or Regional Guidance has properly assessed the need/demand for housing over a given period, the subsequent need for a Local Plan allocation and planning permission delays the realisation of the new homes.

- (b) *Are there problems associated with land assembly, particularly brownfield land?*

The assembly of sites is becoming more complex. There are more bodies to negotiate with and more regulators. Environmental Assessment regulations, for example, have dramatically increased the workload entailed in submitting a planning application. The additional issue to be dealt with in relation to brownfield land is not one of land assembly, as many such sites are large former industrial premises in single ownership, it is rather that of the extra costs involved in cleaning up the land to meet the quality threshold acceptable for housing development. There is an actual cost and also a time cost for remediation. However, in terms of a planning application (rather than an allocation), the system is no more sympathetic to brownfield development than greenfield and will often demand similar levels of planning gain, despite these additional costs. This can make some brownfield sites unattractive to developers.

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- (c) *Does the practice of optioning restrict the overall supply of land? Is optioning necessary? If so, why?*

No, the converse is the case. Given the cost of taking a scheme through the planning system, which would run into hundreds of thousands of pounds, many smaller landowners could not absorb these costs if a case proved unsuccessful and planning was not secured. They, therefore, turn to large developers, such as ourselves, who will pay an option fee and take on the risk costs associated with fighting the planning case. If successful, the costs will be deducted from the amount paid to the landowner but, if not, the developer meets the cost. The developer needs the security of the option to ensure it recoups its costs and gains a reward for its efforts, either in securing the land or selling on with the returns from the sale shared in a pre-arranged split. It is often the case a site has to be represented through different layers of plan (for example, the housing numbers for a town may be represented at the Structure Plan inquiry before the site itself is represented to a Borough Local Plan inquiry) or in consequent plans (success is rarely achieved first time around) and then possibly through a Section 78 appeal as well. The option encourages developers to persevere, as the implications of abandoning a case is to write off an investment of time, effort and expense.

It is also a well tested approach in terms of legal mechanism, which can give security to both parties and can include other matters associated with the development of land in addition to planning.

- (d) *Is the land allocated for housing in local development plans sufficient to meet housing need?*

Almost always no and we have explained in part our reasons for saying so in response to (a). In fact, in many of the most recent plans put on deposit in the North West of England, no additional land has been allocated at all for housing up to the year 2016. They rely almost solely on conversions and small windfall sites, which are, of course, unplanned in their delivery. In particular, they contribute less to meeting needs for affordable housing, as small sites do not have to provide for it. Often there will be no discussion of housing need at Local Plan Inquiries into such Plans, because Regional Planning Guidance has such low requirements for new housing. At local development inquiries, issues related to site characteristics, landscape, highway access, affordable housing and local amenities will predominate. The topic of housing need is often anecdotal and partially informed. Few Local Authorities have carried out a thorough needs assessment and, whilst 10 years ago house-builders would engage demographers to prepare housing models, today this rarely happens, as Government Office sets the figures in Regional Planning Guidance and Inspectors take them as read. Local Authorities with no new allocations include Bolton MBC and Warrington BC.

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- (e) *Is the RPG housing shortfall explained by a shortfall in the number of planning applications?*

The shortfall to RPG figures may occur in the South East, but it is not a national phenomenon and, indeed, in many cases, RPG numbers will be lower than historic build rates. This is certainly the case in the North West of England, where Government Office is encouraging some local authorities to introduce moratoriums on new housing development.

Issue 3 - We would like to know whether policy and its application influence housing developments?

- (a) *Are there problems with the interpretation of planning guidance by local authorities? - if so, what are they and why?*

Local authorities will interpret guidance for their own purposes. In the North West, for example, Manchester City Council, who are successful in using housing as a tool of local regeneration, will exceed their requirement for housing as set out in Regional Planning Guidance, but will object to allocations in adjoining districts on the basis that they may exceed theirs. They will argue that as the city core, they should have priority, but this disregards the regeneration requirements of their neighbours. Other local authorities with an affluent electorate may face objections to new development and will be content to provide for as little new housing as possible and then to seek to undersupply by delaying the consideration of applications on technical grounds. Given the time and costs of an appeal, the planning authority know they can do this.

- (b) *Are there any particular aspects of planning policy which do not properly reflect the wider social and economic costs and benefits of housing?*

We have mentioned above the role housing can play in regeneration. However, it can be the case that once such activity takes hold, this is the very time that planners decide that housing is being provided at a greater rate than they have allowed for in Regional Planning Guidance and permissions should be refused and supply put in check. Having, therefore, stimulated demand, supply is restricted, both forcing up the price of properties and the price of land with planning permission. This is a reflection of the fact that housing is treated by planners as to do with "areas of land" and "numbers of units" and is rarely seen as an integral part of the economy in its own right. The social aspect is better recognised, but then the topic is often treated as related solely to a requirement for affordable housing and at which number of units it should be triggered.

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At the Regional level, the lack of appreciation of the wider social and economic benefits of new housing is ever more pronounced. We draw your attention in respect of this issue to the attached report entitled "**The Economic Impact of Restrictions on House Building**" by **Oxford Economic Forecasting** commissioned by Peel. This document considers the adverse economic impacts of reducing housing building and takes as a case study the recent 15% reduction in housing supply in Regional Planning Guidance for the North West (RPG13). We know it is not the role of your Review to consider regional policy differences, but it does clearly demonstrate that planning policy decisions on the supply of land for new housing are being taken without properly reflecting the wider economic costs of not providing new housing. It is, therefore, presented as a direct response to the question you have raised. It shows that a planned cut in housing supply in the North West will have the following effects:

- The construction industry bears the brunt of the direct shock: construction output declines by 2.4% (or £133 million) and 5,500 jobs are lost. The housing stock shrinks by 1% and house prices are 0.3% higher.
- But adverse implications for the wider economy are larger. In total, just under 8,800 jobs are lost. Regional GDP is down 0.4% or £374 million and productivity begins to suffer. Unemployment rises by 0.3% and nearly 1,500 people migrate away from the region. The lost GDP is of the same scale as the amount of money that would be raised from the North West by an additional 1p on the main rate of income tax.

None of these issues were considered when the decision to cut the supply of housing was taken. We would please ask that you do, of course, consider the wider point made, albeit in a North West context, as it is important that the Review does not become dominated by the interests of the South East. The northern regions with less robust economies can be greatly damaged if planning policy is made without consideration of these wider economic and social issues.

House-building is not just an issue of matching the overall number of homes with population projections, but also about improving the quality of the housing stock to encourage people to move into or stay in areas which would otherwise suffer economic decline.

(c) *Does the planning system provide incentives to develop brownfield land?*

See answer to Issue 1, paragraph (b) above.

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(d) *Is planning guidance applied appropriately?*

See answer of (a) above.

(e) *Is the current reform programme sufficient to address inefficiencies in the planning system?*

Whilst the wish of the Government to address inefficiencies is to be applauded, we have serious doubts whether in reality they will make a major difference to the attitude of local planning authorities. It is not the existing mechanisms that are necessarily at fault and, indeed, they do have the ability to give long term certainty. It is the way the system has been used to overtly restrict development that has been the problem and the catalyst for change. The danger is that as new procedures are introduced, there will be a period of uncertainty, with new plans to go through new procedures before adoption and new case law to be established in the courts. This could serve to frustrate a long term view being taken of housing supply.

(f) *Are Section 106 Agreements an effective means for addressing and mitigating the impact of developments? Do Section 106 Agreements create any perverse incentives?*

Section 106 Agreements operate in a satisfactory manner and are effective in enforcing mitigation. We are not aware of them giving rise to perverse incentives in respect of schemes with which we have been involved.

(g) *Do building regulations restrict development?*

No comment.

(h) *Do regulations governing "change of use" affect the use of existing buildings for housing?*

There will always be individual problems for particular schemes, given the wide range and type of existing buildings, but the regulations are, for a national system, generally supportive of change of use.

(i) *Are there market failures you can identify affecting the development of environmentally sustainable housing regeneration of urban areas and protection of the countryside?*

Market failures do occur in communities, both as a result of poor quality of housing and as a reflection of wider social problems.

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Sometimes the reaction to the vacant homes that result from such market failure is to restrict supply of housing in the belief that people can, therefore, be forced into the vacant property as they will have no alternative. This is the North West approach raised above. This is inevitably self-defeating. The lack of new investment just confirms a downward spiral and those who can afford to will move away. In reality, housing markets at the local level are complex with areas of high and low demand and they change over time. This is true even in the South East, which has many vacant homes within its own supply. It is, however, often the case that new housing developments in areas of market failure can introduce confidence, bolster existing equity and that people will identify with the opportunity for refurbishment and gain in property value. A good example is the programme developed in the former mining communities in County Durham (see attached press cutting). Well placed new developments have been used here as part of the regeneration agenda to good effect. Within such communities, it is often the case the new housing is the first for many years to be constructed in the settlement. People firmly rooted in the community who had not previously the choice take up the new houses, which leads to a churn of property releasing locked up value. The value of existing properties increases making it more viable to refurbish it. It is, therefore, doubly unfortunate if these initiatives cannot be pursued because of a wish as seen in the North West at present to restrict housing supply at a regional level in the belief people can then be forced to remain in areas of market failure. All that happens is that people are encouraged to out-migrate to the South East, where not only are jobs easier to obtain, but they can access new housing more easily.

The Government's approach to the housing issue seems to be diverging between the North and South of the country. In the South, a major house-building push is underway. In the North West, housing supply figures are being cut by 15%. Even before the latest announcements of further houses to be built in the South East, the contrast in build rates were striking and alarming (see attachment). The build rate in the South is far higher in relation to the population than in the North. The annual supply figure for Bolton, Bury, Oldham, Rochdale, Stockport, Tameside, Trafford, Wigan, Knowsley, St Helens, Sefton, Wirral, Halton and Warrington combined is 4,310 (pop. 2,978,000) whilst that for Devon is 4,300 (pop. 1,075,000). The figure for Wiltshire at 3,000 (pop. 610,000) is greater than for Manchester, Liverpool and Salford combined at 2,990 (pop. 1,114,000). The table shows build rates per 1,000 population is far lower in the North West than the South East and South West. As these trends are reinforced in the future, we shall see housing investment further concentrated in the South with an aging stock in the North.

Tax Regime

No comments.

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We trust the above comments are of interest and we would welcome the opportunity to expand upon them or meet the Review Team, if you felt that this would be of benefit. We enclose three copies of the Oxford Economic Forecasting Report and can provide more if required.

Yours sincerely

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