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Dear Kate

## **BARKER REVIEW OF HOUSING SUPPLY**

In his letter to you dated 10 July Jonathan Blackie, our Regional Director, confirmed that we would be responding to your letter of 4 July.

The following comments represent views from across the Government Office for the North East and while we have discussed your review with contacts in the region we have not attempted to co-ordinate a region-wide response.

I set out below our responses to the specific points raised in your letter but there is one very important additional point which we think should be addressed. This is:

- What are the obstacles in the operation of the labour market that lead to people to continue to seek to live in areas experiencing problems accommodating growth, when the quality of life and availability of accommodation is demonstrably better in the less pressured regions?

We ourselves have no answer to this but it seems to us to be the fundamental question behind the continuing imbalance between regional housing markets, regional economic growth and all the other problems we are jointly trying to address.

Turning now to your stated issues:-

### **Is Land Supply Constrained?**

- Overall, there is no shortage of suitable land for development in the North East. There is a perception held among some housebuilders and local authorities that the current housing totals in RPG 1 are a constraint but the number of extant outline planning permissions indicate that for the region as a whole, there is about a 6 year housing supply, taking account of the RPG1 housing allocation. The overall figure masks significant differences between different sub regions and districts, however, with for example Newcastle upon Tyne having a 14 year housing supply and Blyth Valley approximately 2.
- We are not aware of landowners being unwilling to sell.
- Land assembly on brownfield sites does present difficulties. It is perceived by developers and LA officers as a difficult and time-consuming activity but in our view LAs have not, in recent years, really focused their CPO powers or activities to facilitate housing development. There have been enough sites coming forward through ordinary measures.
- We have no evidence, or feedback, to suggest that 'optioning' land restricts supply. Its only impact in this region seems to be in relation to competition between individual housebuilders, and hence the impact on their balance sheets.

- The amount of housing land allocated in local development plans in this region seems currently more than sufficient to meet housing need but we do not have any figures on this at present. The Regional Assembly will be collecting it as part of the work on the Regional Spatial Strategy.

### **Industry Constraints**

- We are not aware of housebuilders facing difficulties in accessing finance, and while we have picked up some concerns over, and increasing caution towards, sites which require decontamination there are also ex-power station and workshops sites which have proved very attractive to developers.
- Work by the CITB, LSCs and others in the region have indicated that skills shortages do exist in the plastering, bricklaying and related building trades. The RDA is looking into this question in some detail. There is anecdotal evidence that designers and developers are starting to amend production techniques to overcome the problem, eg by reducing the amount of high quality bricklaying required.
- Investment in sites which require decontamination is seen as increasingly risky as NHBC guarantees can be difficult/costly to attain, and this is a potential brake on the use of brownfield land in this region.
- There is a very low uptake of alternative manufacturing methods in this region, for example while the Housing Corporation has a target to achieve 25% of its regional programme by utilising Modern Methods of Construction, there has been no take-up at all in the programmes to date. However, there remains a general perception that 'system building' is inherently

unsatisfactory. There is a great deal of convincing still to be done to demonstrate that the new methods will not repeat the old disasters (Ronan Point, the TV documentary on timber-frame etc).

- As mentioned above there can be problems in developing brownfield land due to contamination, and this may partly explain why the current proportion of new homes built on brownfield sites in the region is only 46%. However that is also influenced by the large numbers of greenfield site permissions still making their way through the system.
- At present developers are developing those on brownfield sites which are the 'easiest', by virtue of not needing remediation, or with no land assembly problems.

### **Policy Environment**

- Local authorities in the North East are generally supportive of development of all kinds but their local development plans are frequently slow to be updated, and so to react to new policy guidance. For example, although the requirement to produce Urban Capacity Studies was flagged up in March 2000, at present only one third of the LAs in the region have completed their UCS.
- Housing development can be constrained by the discontinuities in decision-making on other social infrastructure, eg schools, hospitals, public transport.
- New policies designed to address the problem of the pressured South-East, eg densities, are not in fact helpful to the North East where there are

far too many cramped nineteenth-century terraces and the need to balance the housing market by providing more choice at the middle and higher levels. Similarly the recent proposals on the re-use of industrial sites for housing needs careful interpretation here, where there is already plenty of capacity for housing on existing sites, and the industrial sites are frequently best-placed to continue in employment-related use.

- We see little evidence here that the planning system is providing incentives to develop brownfield land, given the high levels of greenfield allocations and consents already in place. However RPG1 sets a challenging target of 65% of housing in the region to be achieved through the development of previously developed land and conversions.
- Planning guidance can, we feel, be followed too literally by some local authorities, with pressured staff resources. The exercise of local interpretation requires the collection and collation of evidence to support a local policy that does not slavishly follow a PPG line (eg on new housing densities) and many LAs have under-resourced planning departments.
- The current reform programme is helpful in engendering a more positive view of the planning system but its real benefits will only be realised when we have a Regional Spatial Strategy that incorporates policies which address the real priorities in the North East (eg on housing densities).
- Section 106 agreements can be effective at the micro scale but can be very difficult, lengthy and ultimately sub-optimal in very large developments. Local Authorities do see S106 agreements as very important in leveraging investment for social infrastructure, eg roads, schools, leisure facilities. Consequently they can be seen as “buying planning permissions”. The additional costs to the developers are passed

on to the ultimate purchasers in terms of higher value houses etc and this can mitigate against proposals for more modest perhaps 'affordable' development.

- We are not aware of any examples of building regulations restricting development.
- We are not aware that any regulations over "change of use" are affecting the use of existing buildings for housing – there are many interesting conversions now in the centres of Newcastle upon Tyne and other cities in the region.
- The North East Regional Housing Strategy recognises that there are significant areas of housing market failure in many parts of the region. The problems within Newcastle and Gateshead have been recognised by ODPM under the HMR Pathfinder initiative. The Government Office is a member of the newly-established HMR Partnership Board for Tees Valley and is contributing to similar joint working with local authorities and RSLs in the Durham Coalfield area. We are also aware of housing market failures in other areas such as South East Northumberland/North Tyneside.
- The imposition of VAT on repairs increases costs of renovation and improvement in housing market failure areas, and so distorts the cost relativities between improved and new-built homes.

### **Social Housing and the Rented Sector**

- As the North East has an over-supply, in many locations, of public sector properties to rent, there has been no particular imperative for private

developers to provide affordable housing. In a number of large re-development schemes RSLs have been involved in providing new homes for rent, as a means of establishing mixed and sustainable communities.

- Recent feedback from the RICS indicates that a large proportion of the new apartment properties being developed in the centres of Newcastle and Gateshead are being bought by individuals and small private company pension schemes as investment properties to let. It is too early to say what impact this will have on subsequent sales, or in the private rental market but it is an interesting and unanticipated development.

Yours sincerely

A handwritten signature in black ink that reads "Diana Pearce". The signature is written in a cursive, flowing style.

DIANA PEARCE